

***Massachusetts***  
***Water Pollution Abatement Trust***  
(A Component Unit of the Commonwealth of Massachusetts)



*Comprehensive Annual Financial Report as of and for the Years Ended  
June 30, 2002 and June 30, 2001 and Independent Auditors Report*



***Massachusetts Water Pollution  
Abatement Trust  
(A Component Unit of the  
Commonwealth of Massachusetts)***

*Comprehensive Annual Financial Report as of and for the Years Ended  
June 30, 2002 and June 30, 2001 and Independent Auditors Report*

Prepared by the Management of the  
Massachusetts Water Pollution Abatement Trust

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# Massachusetts Water Pollution Abatement Trust

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Massachusetts Water Pollution Abatement Trust

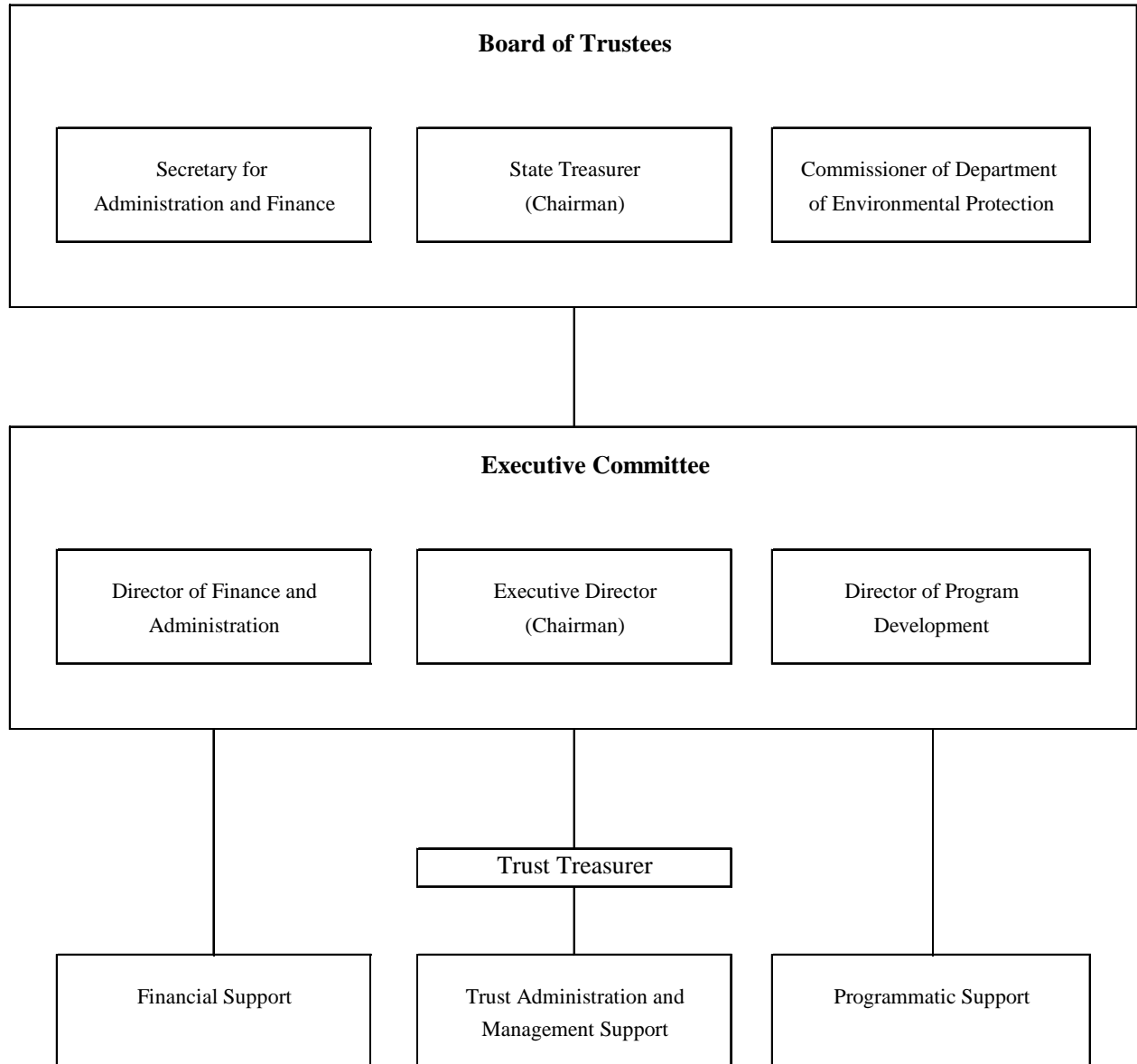
Fiscal Years Ended June 30, 2002 and 2001

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### INTRODUCTORY SECTION

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**Massachusetts Water Pollution Abatement Trust**  
**Administrative Structure**





## **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

### **BOARD OF TRUSTEES**

Ms. Shannon P. O'Brien	Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Kevin J. Sullivan	Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Ms. Lauren A. Liss	Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

### **DESIGNEES OF TRUSTEES**

Mr. Jeffrey S. Stearns	Designee of the Treasurer and Receiver-General of the Commonwealth of Massachusetts
Mr. Scott A. Jordan	Designee of the Secretary of the Executive Office for Administration and Finance of the Commonwealth of Massachusetts
Ms. Cynthia Giles	Designee of the Commissioner of the Department of Environmental Protection of the Commonwealth of Massachusetts

### **SENIOR MANAGEMENT**

Mr. Luke E. Thompson	Executive Director
Ms. Nancy E. Parrillo	Treasurer
Mr. Scott A. Jordan	Director of Finance and Administration
Mr. Joseph E. McNealy	Director of Program Development



**Message from the Chair of the  
Massachusetts Water Pollution Abatement Trust**

**Shannon P. O'Brien,**

Chair of the Massachusetts Water Pollution Abatement Trust and  
Treasurer and Receiver General of the Commonwealth of  
Massachusetts

**To the Stakeholders of the Massachusetts Water Pollution Abatement Trust:**

It is with great pleasure that I deliver to you the Massachusetts Water Pollution Abatement Trust's comprehensive Annual Financial report for the fiscal year ending June 30, 2002. I am proud to serve as chair of an organization that is not only a model for state revolving funds across the United States, but also can boast many "first in the nation" accomplishments.

The Trust had several achievements of note during FY2002. Demand for our funding has continued to outstrip our resources since the inception of the program. In a move that will have a significant impact both immediately and for the longer term, the Trust this year voted to increase its leveraging ratio which will allow us to provide approximately 50% more funding for projects than we have in the past. In another noteworthy achievement, the Trust issued its Pool 7 Series bonds in July, 2001 in the amount of \$321.8 million, which provided \$123.5 million to finance new projects in thirty-one different cities, towns and districts. The Pool 7 transaction also included an advance refunding of \$195.9 million of outstanding bonds issued in prior years when interest rates were not as attractive as they are today. Refunding these bonds translated into more than \$8 million in savings to our borrowers and the Trust. Pool 7 financed four more projects with extended repayment terms that help make expensive projects more affordable for ratepayers. In addition, Pool 7 included funding to help cities, towns and, ultimately, homeowners fix failed residential septic systems through the Title 5 program which addresses non-point sources of pollution in the Commonwealth.

The Trust faces a number of challenges as we look to the future. Foremost among them is the creation of additional capital through actions such as the change in our leveraging ratio, which will allow us to finance more projects in a manner that is affordable for the Commonwealth and our communities. In addition, more privately owned public drinking water systems will qualify for financing through the Trust over the next several years, requiring us to develop a mechanism to overcome the inherent difficulties presented when financing private projects with tax-exempt municipal bond proceeds.

While the Trust had an impressive record of achievement in FY2002, much remains to be done to provide critical economic and environmental benefits to the citizens of the Commonwealth.

Sincerely yours,

A handwritten signature in cursive script that reads "Shannon P. O'Brien".

Shannon P. O'Brien  
Chair

# Massachusetts Water Pollution Abatement Trust

## Trustees

Hon. Shannon P. O'Brien, Chair  
Hon. Kevin J. Sullivan  
Hon. Lauren A. Liss

One Ashburton Place  
12th Floor  
Boston, MA 02108-1608  
(617) 367-3900  
Fax (617) 227-1773

## Executive Director

Luke E. Thompson

## Treasurer

Nancy E. Parrillo

## To the Members of the Board of Trustees of the Massachusetts Water Pollution Abatement Trust:

It is with great pleasure that I submit to you the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Water Pollution Abatement Trust (the Trust) for the fiscal year ended June 30, 2002. This year's CAFR is presented on a comparative basis with the fiscal year ended June 30, 2001, and is submitted under Article VII, Section 2 of the by-laws of the Trust. This report has been prepared in conformity with generally accepted accounting principles (GAAP), thereby satisfying applicable federal and state laws, program regulations, and other Trust agreements. The data presented is accurate in all material aspects and is reported in a manner that presents fairly the financial position and results of operations of the Trust. All disclosures necessary to enable the reader to gain an understanding of the Trust's activities have been included. The information contained within this report is the responsibility of management.

The CAFR is presented in three major sections: **introductory, financial, and statistical**. The introductory section, which is unaudited, is comprised of a letter of transmittal, an organizational chart of the Trust, as well as a list of the Trust's principal officials. This section is intended to inform the reader of the overall programmatic accomplishments for the year. The financial section includes management's discussion and analysis of the financial results of the year, the general purpose financial statements and combining financial statements and schedules, as well as the independent auditor's opinion on these financial statements and schedules. The statistical section, which is also unaudited, contains other schedules which may be useful in understanding the activities of the Trust. These statistical schedules include revenues and expenditures by character, loan activity by local governmental unit, as well as population served. These schedules are generally on a multiyear basis.

The reporting entity, the Trust, is a public instrumentality of the Commonwealth of Massachusetts. It was established in 1989 to administer the Massachusetts Water Pollution Abatement Revolving Fund, pursuant to Title VI of the Federal Clean Water Act (the Act). It was later amended in 1998 to encompass the provisions of Title XIV of the Federal Safe Drinking Water Act (the DWSRF). The Trust's mission, as contemplated by its enabling legislation, is to fund the implementation of water pollution control projects in the Commonwealth through a revolving fund loan program.

The Trust is authorized to issue bonds, guaranteed by reserves that are funded by federal grants and Commonwealth matching funds, to provide subsidized financing for these projects. As of June 30, 2002, the Trust has funded nearly \$2 billion of projects for more than 270 governmental units across the Commonwealth, ranging in scope from secondary wastewater treatment and drinking water treatment plants to individual septic systems.

As a public instrumentality, the Trust is reported on the Commonwealth's Combined Annual Financial Report as a component unit. The Trust also submits its independently audited financial statements to the Commonwealth's Senate and House of Representatives, as well as the Office of the Comptroller, and other interested parties. Also, as an entity receiving federal funding, the Trust is required to undergo an annual "Single Audit" to conform with the requirements of the Single Audit Act of 1984, as amended, and the US Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*.

The Trust is administered by a three-member board. The State Treasurer serves as the Chair with the other two members being the Secretary of the Executive Office for Administration and Finance and the Commissioner of the Department of Environmental Protection. The Trust operates under the direction of the Executive Director with an Executive Committee to coordinate efforts between the three member units.

It is the function of Department of Environmental Protection (DEP) to determine which of the potential projects in the communities should be undertaken based on environmental and health issues. The Treasurer's Office, represented by the Trust, is responsible for financing those projects. Accounting and Finance (A&F) ensures that the Commonwealth can support the level of financial subsidies provided for by state statute for the projects chosen. The close working relationship of these three offices ensures the financial viability of the programs designed to help improve the environmental and public health issues across the Commonwealth.

## Financial Results of the Trust

The CAFR being presented is a snapshot of the Trust's financial position as of June 30, 2002 and the activities that encompass that position. The financial section of the CAFR includes a number of items. First is the **Independent Auditors' Report**, which provides an opinion about the financial statements as to whether they are stated fairly in all material respects. The information reported in the financial statements **is the responsibility of the Trust's management and not that of our independent auditors and should not be construed as such.**

Next is **Management's Discussion and Analysis**, which is a narrative about changes in the financial state of the Trust as compared to last year. Key elements discussed are changes in assets, liabilities, long-term debt, cash, and net income. Comments on economic issues affecting the Trust's performance are also included.

The financial statements contain **statements of net assets** illustrating the financial position of the Trust as of June 30, 2002. The "net assets" value at the end of the statements can be traced to the combined statements of revenues, expenses and changes in net assets. The last statements are the statements of cash flows, which reconcile cash flow to income before operating transfers, breaking down the activities by operating, capital and related financing, and investment activities. These statements are used to assess the Trust's ability to meet its operating cash needs. Last are the footnotes that accompany the statements to fully explain the activities reported in them.

## Government Accounting Standards Board Statement No. 34

The GASB released its Statement No. 34 on June 10, 1999 with a gradual implementation schedule based on the size of the reporting entity. The Trust has complied with its implementation schedule for FY2002 in developing this report.

## **The Financing Picture Continues to Strengthen**

In FY2002, the Trust continued to grow. In its financial position, the most important aspects are the changes in cash and investments held by the Trust, the amounts of loans and/or bonds that are due to the Trust from borrowers, and the amount of bonds due to the bondholders from the Trust. The three categories made up the majority of the Trust's net equity.

In FY2001, the Trust reported that its outstanding loans were at the \$1.7 billion level. In FY2002, that number grew to \$1.8 billion through the issuance of the Pooled Loan Program, Series 7 (\$321.8) in new debt, retiring \$67.2 million of outstanding debt, and defeasing \$195.9 million of debt as part of the Pool Series 7 issuance. The Trust expects to reach the \$2 billion mark in FY2003 with the issuance of new debt to the Massachusetts Water Resources Authority and Pooled Loan Program, Series 8. As these numbers illustrate, the Trust has achieved remarkable success in funding low-cost loans to local governments to help remediate water pollution and provide safe drinking water.

On the other side of the equation, despite the growth in the program activity, we continue to strive to keep operating costs low. Overhead, including administrative costs associated with project management of both the Clean Water and Safe Drinking Water Programs, is significantly under 1% of outstanding loans.

## **Total Cash Position Continues to Shift Toward Long-Term Cash**

The components of cash and investments continue to shift from short-term to long-term instruments. The long-term investments presented here by the Trust are predominantly debt-service reserve funds. The Trust is using its cash to collateralize long-term bonds making money available for more loans to more cities and towns.

The long-term investments are held in guaranteed investment contracts, or GICs, which are similar to a certificate of deposit in that they pay a fixed yield. A GIC differs from a CD in that the principal can be withdrawn at any time (in case of a loan default) without a principal penalty. Furthermore, the GICs that the Trust holds are with "AA" or "AAA" rated providers and are all overcollateralized (more than 100% of principal and interest due to the Trust) with the safest investments available, United States Treasury and Agency securities. A higher long-term position is a positive sign in terms of investment management, as these contracts are at higher, guaranteed rates than current market interest rates.

Short-term cash is largely invested in Massachusetts Municipal Depository Trust, a \$1 net asset value money market fund, managed by the Commonwealth in conjunction with Fidelity Investments and State Street Bank and Trust Company. The components of short-term cash include interest earnings, unspent reserved short-term project funds and a minimal amount of funds not yet earmarked for future loans.

During FY2002, the Trust continued to draw its capitalization grants from the EPA. These draws totaled more than \$67.8 million. Interest earnings, net of bond interest expenses totaled nearly \$25.7 million, while cash released back to the Trust from long-term reserve funds amounted to almost \$34.1 million.

## **Other Assets and Liabilities Continue to Grow**

In FY2002, the Trust continued to offer its extended financing program, allowing borrowers to finance an eligible project with the Trust through the execution of a bond purchase agreement with a repayment term of up to thirty years. This arrangement allows cities and towns a longer repayment term, attempts to match a loan amortization schedule with asset life, and makes water and sewer projects more affordable at the local level.

In FY2002, the Trust completed one more transaction. In July, 2001, the Trust closed on its Pooled Loan Program, Series 7 for \$321.8 million. It was comprised of \$123.5 million in new money for 33 loans. Of these, five loans in the amount of \$40.3 million had extended financing (30-year) terms and ten in the amount of \$27.8 million were issued as the Trust's third group of drinking water loans. Included in the \$321.8 million was \$195.9 million of refunding money used to defease bonds in the Trust's Pools 1, 2, and 3 and the South Essex Sewerage District Loan Program, Series 1994A and 1996A.

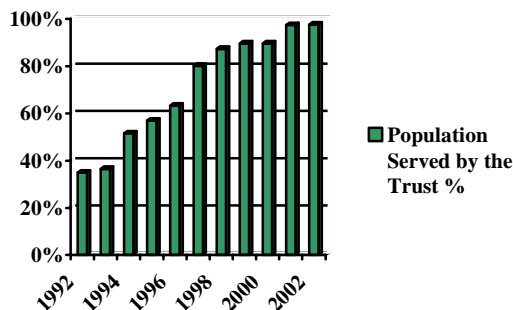
## Trust Continues to Maintain Highest Ratings

The high credit rating of Trust bonds is due to several factors, including the security of their related structures which have traditionally provided debt service reserve funds that approach to 50% of the outstanding principal of each bond issue. Under the leveraged bond purchase program for extended financing, debt service reserve funds equal 40% of the outstanding principal. Refunding issues with repayment terms in excess of 20 years also are secured by reserves pegged at a maximum of 40%, but the reserve may vary depending upon structure. Bonds in the Drinking Water program are also secured by 40% debt service reserve funds in order to provide financing for more projects due to the relative scarcity of equity in that program. The earnings from these funds help to subsidize borrower repayments to the Trust and, along with the funds themselves, are available to pay debt service on the bonds in the case of a borrower default. The reserve funds are invested in overcollateralized guaranteed investment contracts, which add to the creditworthiness of the bonds. To further enhance the Trust's credit, all bonds are cross-collateralized. This allows us to pledge **all** assets in the program – regardless of clean water or drinking water classification – as security for Trust bonds should there ever be a default by one of the underlying credits.

The ability to intercept extensive state local aid payments to communities in case of a default and the diverse make-up of our borrower pool are also significant factors in the strength of the Trust as a credit. Based upon these various levels of security, the Trust's Pool program, through which most constituents borrow, is rated "AAA" by all three rating agencies. One of those agencies, Fitch IBCA has indicated that the Trust Pool program is the strongest in the country.

## 2002 Trust Operations

As the result of Trust activities in 2002, an additional 140,000 people will be served by new projects financed or subsidized this year. This includes additional residents in communities participating in the Title 5 septic system repair program as well as those served by the more traditional projects financed through leveraged borrowings. This year, we saw nine new borrowers in the Pool 7 transaction. First

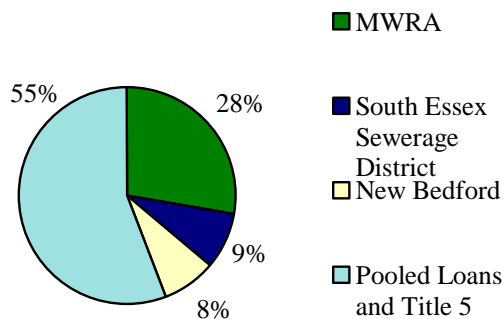


time borrowers included Bellingham, Clinton, Lanesborough Village Fire and Water District, Massachusetts Development Finance Authority, Sterling, Westford, West Boylston, Woburn and Windbrook Acres – a privately owned public water supply. This brings the number of communities and governmental units participating in the Trust's loan programs to 276, servicing more than 95% of the population of the Commonwealth.

Many of the Trust's borrowers are not part of traditional sewer systems. They benefit from Trust financing available under the Commonwealth's Title 5 Septic System Repair and Replacement program. With the issuance of Pool 7, another \$4.4 million was earmarked for the Title 5 program, bringing the total borrowed to date for Title 5 projects to \$21.8 million. In addition to the traditional use of these funds to assist homeowners on an individual basis, a portion is used to tackle large projects that are Title 5 in nature but have much broader benefits than the single-residence projects. Large-scale Title 5 projects, which address entire neighborhoods or sections of communities, are underway in Gloucester and in the sensitive Wachusett Reservoir watershed in the Towns of Holden and West Boylston. Our Title 5 program continues to be one of the most effective programs nationally in addressing nonpoint sources of pollution.



### Trust Loans (Issued Amount)



One of the hallmarks of the Trust is the diversity of borrowers and projects that we finance. Large, multiyear treatment plant projects receive more attention simply because of their scope and cost, but the Trust is also quite committed to our Pooled Loan financings. These bond issues allow many cities and towns to complete more modest projects that they would not normally be able to finance as efficiently or cost-effectively on their own. By participating in our Pooled Financing program, borrowers can implement projects while enjoying extremely attractive financing rates and savings achieved through economies of scale.

Since the creation of the Safe Drinking Water State Revolving Fund (SRF) program several years ago, the Trust has begun to finance projects for privately owned public drinking water systems as expressly intended by Congress and the EPA. In FY2002, the Trust permanently financed a loan in Pool 7 for the Windbrook Acres Cooperative Corporation for improvements to its delivery system. The loan to this water system in Auburn, Massachusetts was the second offered by the Trust to a privately owned system. It is likely that additional privately owned systems will qualify for SRF assistance in future years. Since IRS regulations impose a limit on the amount of tax-exempt bonds that may be issued for the benefit of private entities, the Trust will need to develop a strategy to accommodate the growing demand for these particularly scarce resources.

### Legislative Impact on Future Funding

Congress has continued to provide annual capitalization grant funding for Clean Water SRF programs despite the fact that reauthorization of the Clean Water Act has been stalled since 1995. The Trust is working with the Council of Infrastructure Financing Authorities (CIFA), which acts as a liaison between States, Congress and the EPA to encourage reauthorization. Massachusetts has authorized \$46.5 million in state funding to match anticipated federal grants through FY2007, a strong indication of support for the



program. With respect to the drinking water program, Congress passed the Safe Drinking Water Act, which was signed by President Clinton on August 6, 1996. The Act authorizes \$1 billion annually through FY2003 to capitalize existing SRFs, specifically for drinking water projects. Federal authorization at this level, combined with Commonwealth matching grants and the Trust's ability to leverage its capital, would allow the Trust to provide approximately \$490 million in financing for drinking water projects through 2004. The Commonwealth has appropriated \$45 million for matching funds for Safe Drinking Water federal capitalization grants, thus satisfying its anticipated requirement through 2003.

While the continuation of federal grants provides the major portion of new equity for the Trust each year, the revolving aspect of our fund has become an increasingly significant element of our annual uncommitted equity, particularly with regard to the Clean Water fund. Even if federal funding of Clean Water SRF programs were to be scaled back from current levels, the repayment of outstanding loans would allow the Trust to continue to issue new loans. Trust equity revolves as the result of the repayment by borrowers of principal on existing direct loans and the release of debt service reserve funds that secure leveraged loans. These "free ups" are returned to the equity fund and can be utilized to fund new loans. In fiscal 2002, for example, these "free-ups" from the Clean Water and Drinking Water programs totaled more than \$34 million. Interest earnings realized



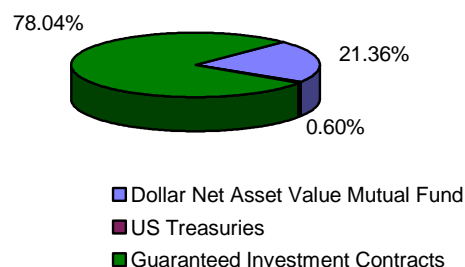
through investment of Trust equity funds represent an additional contribution to equity that serves to increase available capacity to provide new financing. Management believes that the size of the annual "free ups" for the Clean Water program is an obvious indicator that the Massachusetts SRF program is developing as Congress expected state programs would when they authorized the SRF concept in 1987. Our success over the years in rapidly converting new equity to new loans is now resulting a level of recycled funds that can provide a considerable level of new project financing independent of the stream of new federal capitalization each

year. The situation is slightly less robust in the Drinking Water program at this point in time. Since the federal program was created only a few years ago and since the size of the capitalization grants are substantially smaller than those for the Clean Water program, the amount of "free ups" for this less mature program is quite modest and will remain so for several more years

## Other Financial Results

In FY2002, assets of the Trust increased to the \$3.1 billion level. The level of bonds payable also rose in conjunction with the Pool 7 transaction. The Trust disbursed over \$92.6 million in project fund outlays to local governmental units for construction costs. Income was up again this year, another record year. As noted previously, the Trust is shifting its focus towards "long-term" cash, as much of the Trust's excess capacity has now been committed. This trend is likely to continue as capitalization sources remain constant or, perhaps, decline in the future.

**Trust Cash and Investments  
at June 30, 2002**





Our program achievements continued to place us at or near the top in several categories used by the EPA to evaluate the effectiveness of SRF programs. According to EPA's Information Management System, for the year ended June 30, 2002, the Trust remained in the top five in the pace of funds used, first in the amount of funds provided to borrowers as a percentage of federal grant funds, and first in the number of projects financed. The Trust was in the top six in four other categories. The Trust continues to be recognized by the EPA as one of the model SRF programs in the country.

### **Cash Management and Risk Financing**

In FY2002, we experienced a net outflow of cash and cash equivalents of nearly \$9 million, which reduced the total combined cash and cash equivalents (excluding investment contracts) as of June 30 to nearly \$232 million. It is the Trust's policy to treat all highly liquid investments with maturities of three months or less, other than reserve funds, as cash and cash equivalents, all of which are currently held and fully invested in the Massachusetts Municipal Depository Trust. In this manner, the Trust adheres strictly to its short-term investment policy of only investing in obligations of the U.S. Treasury and its agencies and instrumentalities, authorized bonds of all states, banker's acceptances, certificates of deposit and commercial paper with only the three highest classifications as established by the major rating agencies.



The Trust currently has long-term investments of \$775 million, which are held in over-collateralized guaranteed investment contracts and United States Treasury securities. These investment contracts provide secure reserves for Trust borrowings and interest subsidies for communities. All of the Trust's guaranteed investment contracts have requirements that the collateral be solely in the form of instruments of the U.S. government and its agencies. To date, no contract has defaulted in any respect.



### **Independent Audit**

The Boston office of KPMG LLP completed its fourth audit of the Trust this year. For FY2002, KPMG LLP delivered an unqualified opinion to the Trust. A letter of "No Material Weakness" was also issued. A clean report was also issued in connection with the Schedule of Federal Financial Assistance, or "Single Audit."

### **Internal Control Environment and Accounting System**

The Trust's internal controls structure provides management with assurance that:

- financial and other resources are safeguarded against loss from unauthorized use or disposition;
- payrolls, payments and other transactions are executed in accordance with management authorizations;
- financial and statistical records and reports are accurate and reliable;
- applicable laws, regulations and policies are adhered to; and
- resources are efficiently and effectively managed.

The Trust employs a fully computerized and integrated accounting system in connection with its internal controls system. The accounting system satisfies the requirements of management to provide timely reporting of financial transactions in accordance with generally accepted accounting principles.



### **Seventh Consecutive Financial Statements Award**

It is an honor to report that the Trust was notified that its 2001 comprehensive annual financial report has once again been awarded the most prestigious award in governmental financial reporting, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The award is the Trust's seventh consecutive citation. This award represents a significant accomplishment by a governmental organization. The financial report submitted is judged by an impartial panel of industry experts and must demonstrate to the judges that the report provides a "spirit of full disclosure" and clearly communicates the financial story of the entity. The Trust is just the sixth recipient of this award in Massachusetts. Only one other state revolving fund in the country has received this recognition.

### **Environmental Initiatives, Impact, Service Efforts and Accomplishments During 2002**

#### *Clean Water SRF Program*

In 2002, the Department of Environmental Protection (DEP) issued its 10th Clean Water SRF Intended Use Plan. The Intended Use Plan (IUP) is a list of projects and the fundable portion of the Annual Project Priority List. The IUP lists the top-rated projects eligible for SRF loans to use the annual program funding capacity. Each year the DEP requests municipalities to submit Project Evaluation Forms for water quality



problems and solutions determined at the local level to be priority capital expenditures. Over the last several years, the Trust has led the nation by funding an increasingly expansive variety and significantly growing volume of projects. The Trust's creative fund management and the DEP's innovative program management have combined to create the fastest funding pace with the broadest range of project types in the nation. The sophisticated funding mechanism of the Trust uses high leveraging ratios and accelerated loan recycling to increase capital funds for innovative projects and stressed municipal

budgets. The DEP's expanded project eligibilities have allowed communities to seek capital funds to solve water pollution problems beyond the traditional wastewater management facilities. This year's report will center on how two separate state agencies have combined skills to coordinate funding and projects to meet the evolving challenges municipalities are required to address by the Environmental Protection Agency under Clean Water Act.

On the following page a three-year ranking of program indicator data compiled by the EPA in the SRF National Information Management System reveals that Massachusetts is the only state listed among these leading EPA program indicators for the last three consecutive fiscal years. The long-term goal of the SRF program is to facilitate municipal compliance with the Clean Water Act. The Clean Water Act goal is to stop water pollution. The Commonwealth's objective is to create an aggressive low cost funding source with flexible program eligibilities to



provide the municipality the opportunity to comply with the CWA using innovative technology. A measurement of that goal is the SRF program's ability to keep pace with the federal funding and programmatic flexibility provided to communities to use low cost financing and agile program options to solve a range of water quality improvement funding problems. On a national scale, the Commonwealth of Massachusetts has set the pace against which all other state programs are measured.



The volume of Clean Water SRF dollars has risen rapidly due to the Trust's aggressive leveraging and recycling mechanisms. The ability of the Trust to generate and manage capital and the DEP's ability to develop and manage projects has generated \$2.5 billion in program capacity through 2002. The Commonwealth's SRF program ranks third in dollar volume among the nation's fifty state programs and is only the 14th largest recipient of EPA funds.



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# EPA National Information Management System State Comparison

## Fund Utilization

(IUP Funding Needs As A Percent of Funds Available)

Rank		FY99 (Million \$)	Rank		FY00	Rank		FY01
1	Oregon	124%	1	Oregon	109%	1	Arizona	114%
2	<b>Massachusetts</b>	<b>114%</b>	2	Delaware	104%	2	<b>Massachusetts</b>	<b>112%</b>
3	Florida	103%	3	Florida	102%	3	Kansas	107%
4	Connecticut	97%	4	Kansas	102%	4	New Hampshire	107%
5	Kansas	96%	5	<b>Massachusetts</b>	<b>99%</b>	5	Florida	104%
				National Average	89%		National Average	91%

## Assistance Provided

(Loans Made As A Percent of Cap Grants)

Rank		FY99 (Million \$)	Rank		FY00	Rank		FY01
1	Alabama	301%	1	Alabama	330%	1	<b>Massachusetts</b>	<b>334%</b>
2	Connecticut	289%	2	New York	326%	2	Alabama	319%
3	<b>Massachusetts</b>	<b>283%</b>	3	Connecticut	308%	3	Minnesota	301%
4	Texas	279%	4	Texas	294%	4	Texas	299%
5	New York	259%	5	Minnesota	282%	5	New York	244%
6			6	<b>Massachusetts</b>	<b>276%</b>		National Average	188%
				National Average	244%			

## Gross Dollars Loaned

Rank		FY99 (Million \$)	Rank		FY00	Rank		FY01
1	New York	\$ 4,066	1	New York	\$ 4,549	1	New York	\$ 4,927
2	Texas	\$ 2,331	2	Texas	\$ 2,683	2	Texas	\$ 2,918
3	<b>Massachusetts</b>	<b>\$ 1,564</b>	3	<b>Massachusetts</b>	<b>\$ 1,774</b>	3	<b>Massachusetts</b>	<b>\$ 2,297</b>
4	California	\$ 1,514	4	Ohio	\$ 1,629	4	California	\$ 2,116
5	Ohio	\$ 1,351	5	California	\$ 1,773	5	Ohio	\$ 1,797
				National Average	\$ 680		National Average	\$ 672

## Loans Made

No. of Projects Funded

Rank		FY99	Rank		FY00	Rank		FY01
1	<b>Massachusetts</b>	<b>650</b>	1	<b>Massachusetts</b>	<b>787</b>	1	<b>Massachusetts</b>	<b>896</b>
2	Minnesota	573	2	Ohio	738	2	Ohio	872
3	Ohio	510	3	Minnesota	665	3	Minnesota	774
4	New York	508	4	New York	587	4	New York	671
5	Delaware	433	5	Delaware	529	5	Delaware	645
				National Average	186		National Average	214

## Disbursements

Rank		FY99 (Million \$)	Rank		FY00	Rank		FY01
1	New York	\$ 3,898	1	New York	\$ 4,414	1	New York	\$ 4,747
2	Texas	\$ 2,331	2	Texas	\$ 2,683	2	Texas	\$ 2,843
3	California	\$ 1,229	3	California	\$ 1,462	3	California	\$ 1,763
4	<b>Massachusetts</b>	<b>\$ 1,182</b>	4	<b>Massachusetts</b>	<b>\$ 1,417</b>	4	<b>Massachusetts</b>	<b>\$ 1,676</b>
5	Ohio	\$ 992	5	Ohio	\$ 1,143	5	Ohio	\$ 1,337
				National Average	\$ 493.69		National Average	\$ 571

## Non Point Source Funding

Rank		FY99 (Million \$)	Rank		FY00	Rank		FY01
1	New York	\$ 406	1	New York	\$ 477	1	New York	\$ 502
2	California	\$ 120	2	California	\$ 157	2	California	\$ 182
3	<b>Massachusetts</b>	<b>\$ 107</b>	3	<b>Massachusetts</b>	<b>\$ 125</b>	3	<b>Massachusetts</b>	<b>\$ 135</b>
4	New Hampshire	\$ 60	4	New Hampshire	\$ 65	4	Ohio	\$ 68
5	Minnesota	\$ 56	5	Minnesota	\$ 56	5	Maryland	\$ 66
				National Average	\$ 23		National Average	27

## CSO Funding

Rank		FY00 (Million \$)	Rank		FY01
No Data			1	Michigan	\$ 723
			2	Illinois	\$ 478
			3	New York	\$ 377
			4	California	\$ 175
			5	<b>Massachusetts</b>	<b>\$ 137</b>
				National Average	\$ 49

## Storm Sewers Funding

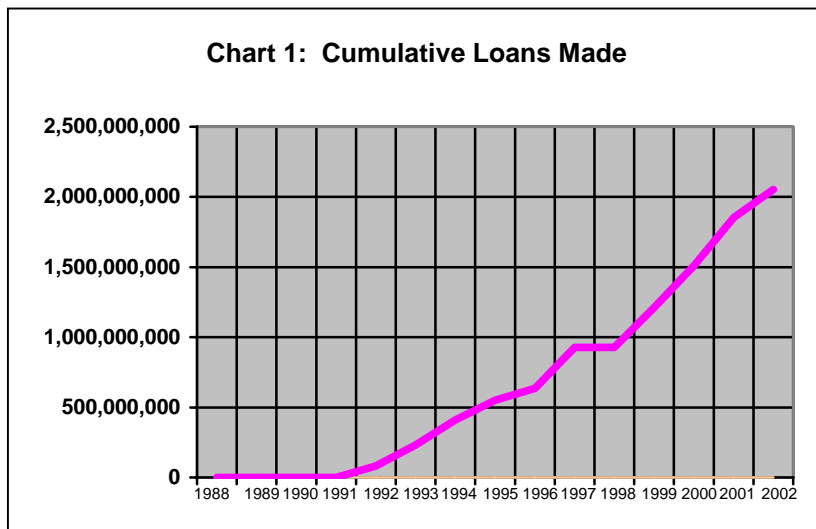
Rank		FY00 (Million \$)	Rank		FY01
No Data			1	<b>Massachusetts</b>	<b>\$ 42</b>
			2	North Dakota	\$ 24
			3	Florida	\$ 12
			4	South Dakota	\$ 10
			5	California	\$ 7
				National Average	\$ 3

Source:

1999 EPA National Information Management System Data. Published November 8, 1999

2000 EPA National Information Management System Data. Published November 11, 2000

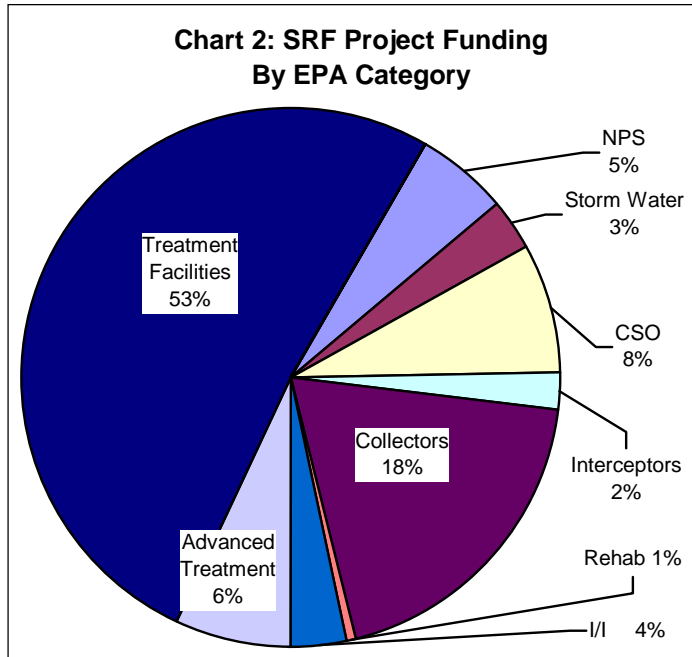
2001 EPA National Information Management System Data. Published November 12, 2001



As the funds available for projects have risen at a rapid rate, the loans made are keeping up with the program's funding capacity. Between the years 1991 and 1997, the CWSRF program funded \$927 million in loans under DEP regulations promulgated at the onset of the program (see Chart 1). From 1998 to 2001, the Trust made \$926 million in loans under a revised set of DEP SRF regulations. The new regulations enabled DEP to close the gap between the potential capacity

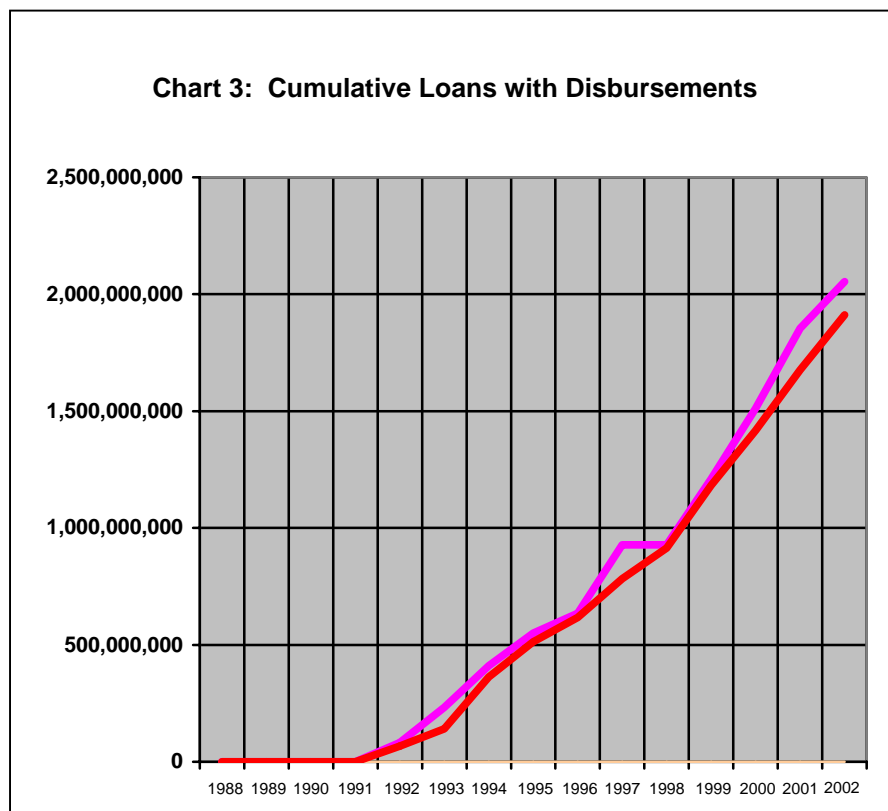
for loans and actual loans issued. The Trust was able to accelerate the lending pace by loaning the same amount of dollars under the revised DEP regulations four years sooner than the same volume under the original regulations. In 2002, the Trust made an additional \$200 million in loans pushing the aggregate program total over \$2 billion. The dramatic change of pace also allowed the expansion of program eligibilities into Non-Point Source (NPS), Combined Sewer Overflow (CSO), and Stormwater Management (SWM). Other benefits include development of a rigorous program schedule that shortened the implementation of a project by as much as one year, and additional focus on requiring project proponents to maintain the project schedule.

The combination of funding pace and expanded eligibilities moved the municipal use of SRF funds in many directions. Chart 2 demonstrates the expansiveness of the Commonwealth's priority setting process and the flexibility of the project evaluation review. The SRF priority setting process is geared towards funding the worst water quality problems. Water quality degradation and severity of the threat to public health are the key components of the DEP's project evaluation. Between 1991 and 1997, 100% of the SRF priority projects were related to treatment plants or ancillary treatment facilities such as sewer pipes and large interceptors. As shown in the accompanying chart, NPS, CSO, and SWM have grown to represent a combined 17% of SRF funds available to address municipal water quality problems.





Underlying all the programmatic success is the ability of the Trust and the DEP to work jointly to keep pace with the enormous volume of loans. Chart 3 illustrates how rapidly the projects funded with SRF loans moved beyond the \$2 billion milestone. The top line is the cumulative volume of loans made ramping up from 1991 with a lower comparative line of cumulative disbursements made to borrowers from those loans during the same time period. There are several reasons for the narrow gap between the dollar amount of loans made and the dollar volume of disbursements. This trend is partially due to the



DEP regulatory requirement that any project requiring more than a 24-month building phase must be funded on a yearly basis. This has enabled the DEP to plan projects on a cash flow basis each year thus allowing many smaller, less time-consuming projects to proceed sooner. Since 1998, the IUP has on average redistributed \$50 million of SRF funds from large to small projects. That accumulates into \$200 million in reallocated project funds in just four IUPs.

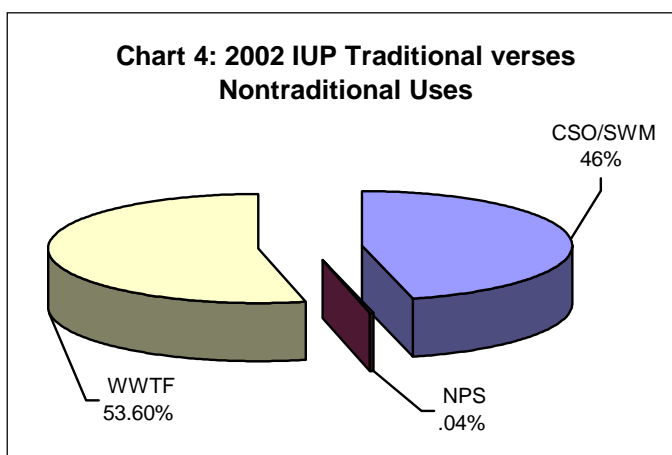
The gap is also narrowed by the joint commitment of the Trust and DEP to the SRF borrowers to process payments in less than ten

days. This rapid payment process, coupled with a fast track construction procurement approval review, a construction management system that requires monthly project inspections, and rapid turnaround on change order requests and closeout documentation quickens the pace of the projects. Furthermore, most states typically require SRF borrowers to seek third-party interim project financing during construction while the SRF waits for the end of construction to provide the permanent funding source. This results in the typical SRF loan being committed to the borrower years before funds are disbursed and repayments begin. Alternatively, the Commonwealth program provides the interim loan as well as the permanent loan. The construction finance relationship fosters both a consistent cash flow in the contract management aspect of the project, as well as much needed monitoring of the project from DEP construction experts to drive the timely completion of the project. The result is a construction phase that achieves an average 3% savings on the total volume of loans and an average construction project term of just over two years. This has the beneficial effect of recovering at least 3% of every IUP within three years. Over the last ten IUPs, the department has saved nearly \$60 million dollars in this manner, dollars that have been recycled back into the program as equity for new loans.

The 2002 CWSRF IUP continued the expansiveness and flexibility of the project evaluation process. The majority (54%) of the \$208 million in Trust funds available for the DEP projects approved during FY2002 was earmarked for traditional municipal wastewater treatment plants and ancillary facilities. The DEP approved funding for wastewater treatment facility projects in Nantucket, Winchendon, and Amesbury.

All of these projects had received initial approval from previous CWSRF IUPs and were deemed multiyear projects as described above. New treatment projects were approved for first-year funding in Bellingham, Marion, Douglas, and Stockbridge.

The remaining 46% of the \$208 million in IUP funds were allocated to municipal pollution problems such as Non-Point Source (NPS) pollution, Combined Sewer Overflows (CSO) and Stormwater Management (SWM). A quick review of the previously displayed EPA NIMS data will demonstrate that the Commonwealth is the national leader in funding SWM and ranks in the top five for CSO and NPS funding.

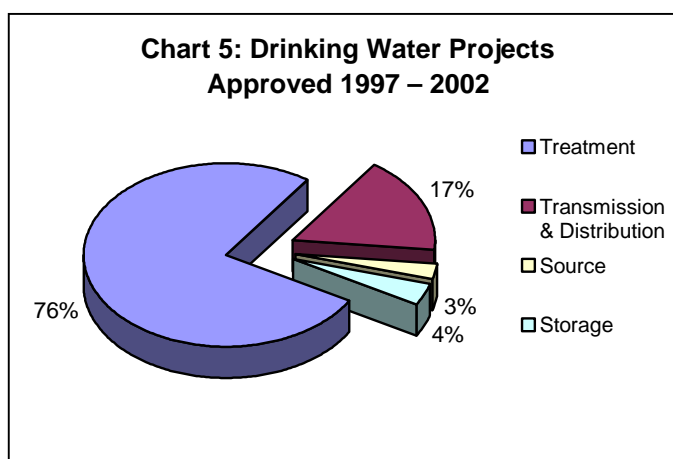


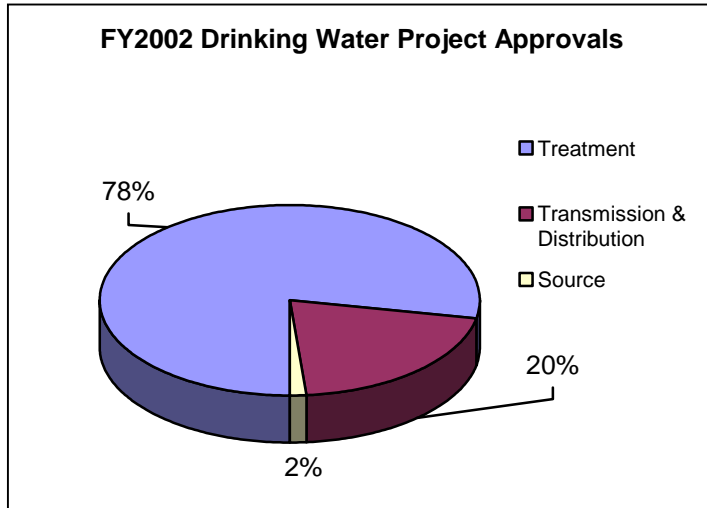
The Clean Water Act prohibits sewer overflows due to rain events. Large sewer systems such as the Massachusetts Water Resources Authority (MWRA), and the cities of New Bedford, Lynn, Haverhill, Fall River, and Springfield that have complied with the secondary treatment requirement of the Clean Water Act are now working with the SRF program to secure funds to pay for the costly separation of sewerage and storm water that currently cause untreated overflows into the Commonwealth's harbors and rivers. All of these communities and districts have received initial SRF loan funding for CSO construction. The complicated and labor-intensive work for these systems and other smaller systems will require \$750 million over the next ten years.

The increased volume of SRF funds available has allowed environmental managers to expand the type of projects eligible for funding through the program. As a result, municipalities are using a wider array of technologies to solve pollution problems in their waters.

### *Safe Drinking Water SRF Program*

The Drinking Water SRF program has issued its fifth Intended Use Plan since its authorization in 1997. A total of \$258 million in projects has been approved in that time. The IUP process is identical to the CWSRF with Safe Drinking Water Act criteria driving the project evaluation process. The DWSRF program typically funds four types of projects: treatment filtration construction and upgrade, transmission pipeline construction, storage and new source development. The primary focus of the program is to assist communities in reaching the standards for water treatment set forth in the Safe Drinking Water Act. Since 1997, MWRA, Fitchburg, Brockton, and Fall River — four of the five largest water suppliers in the state — have participated in the program. In addition, the program has continued to achieve the goal to use 10% of the funds available to assist water suppliers with service area of less than 10,000 people.





The 2002 program continues to apply over 75% of available funds for treatment plant construction or upgrade, with 10% of the funds used for small systems. The Drinking Water SRF also funded a variety of set-aside initiatives such as capacity development to allow system operators to maintain compliance with the SDWA, wellhead protection assessments, source water delineation and protection and small system technical assistance.

### Acknowledgments

This report, as well as all of the activities of the Trust, is the result of the hard work

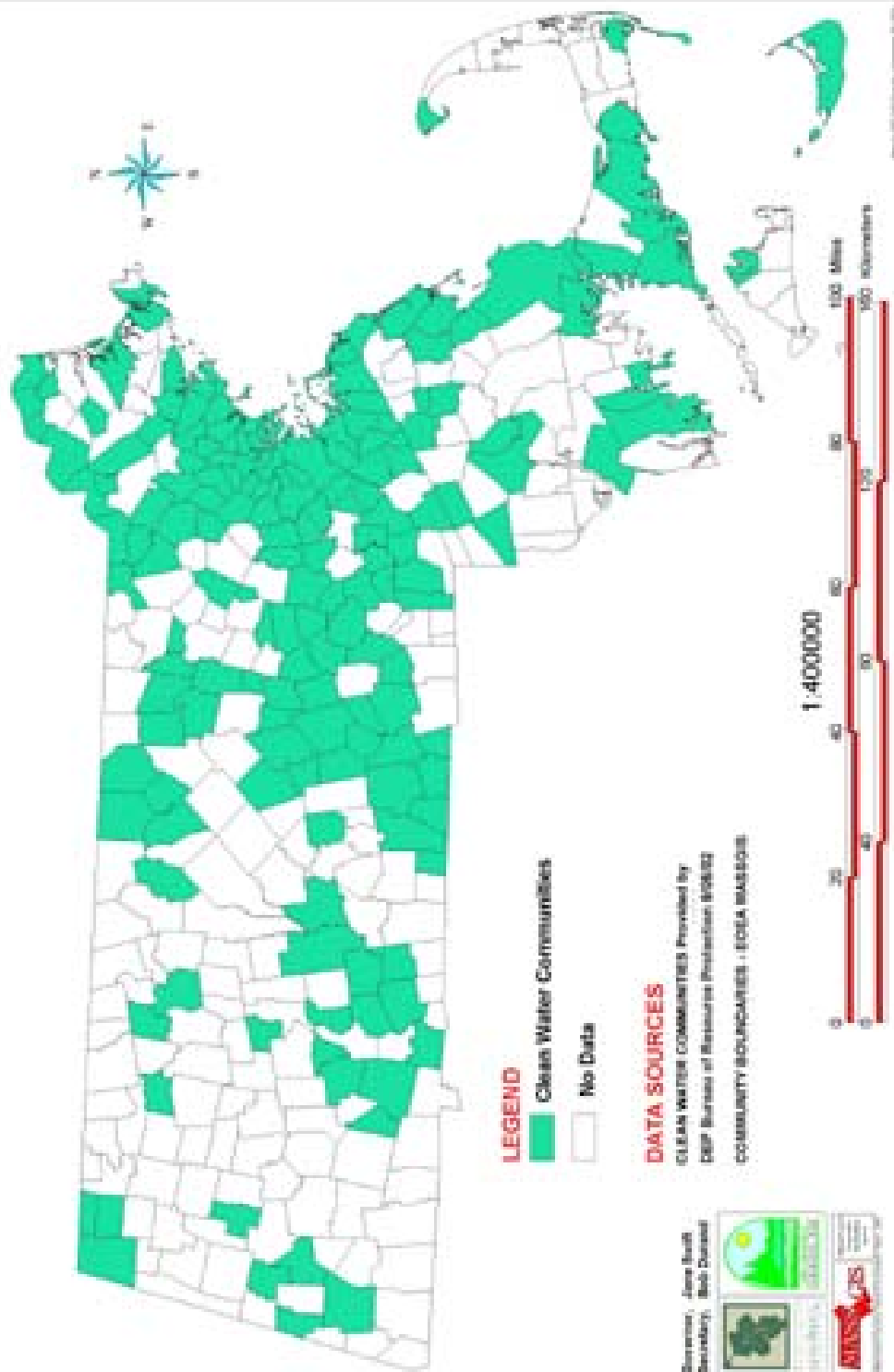
and coordinated efforts of the numerous people who comprise the Trust, as well as our colleagues in other state agencies and the professional experts who assist us. Without these efforts, the Trust could not continue to deliver its programs and financial assistance to the people of the Commonwealth. To this team of professionals — inside and out — our deepest gratitude, and I hope that we can all continue to work together in the upcoming years to provide the support necessary to continue to improve the environment of the Commonwealth through the provision of affordable capital to finance additional important environmental infrastructure projects.

Respectfully submitted,

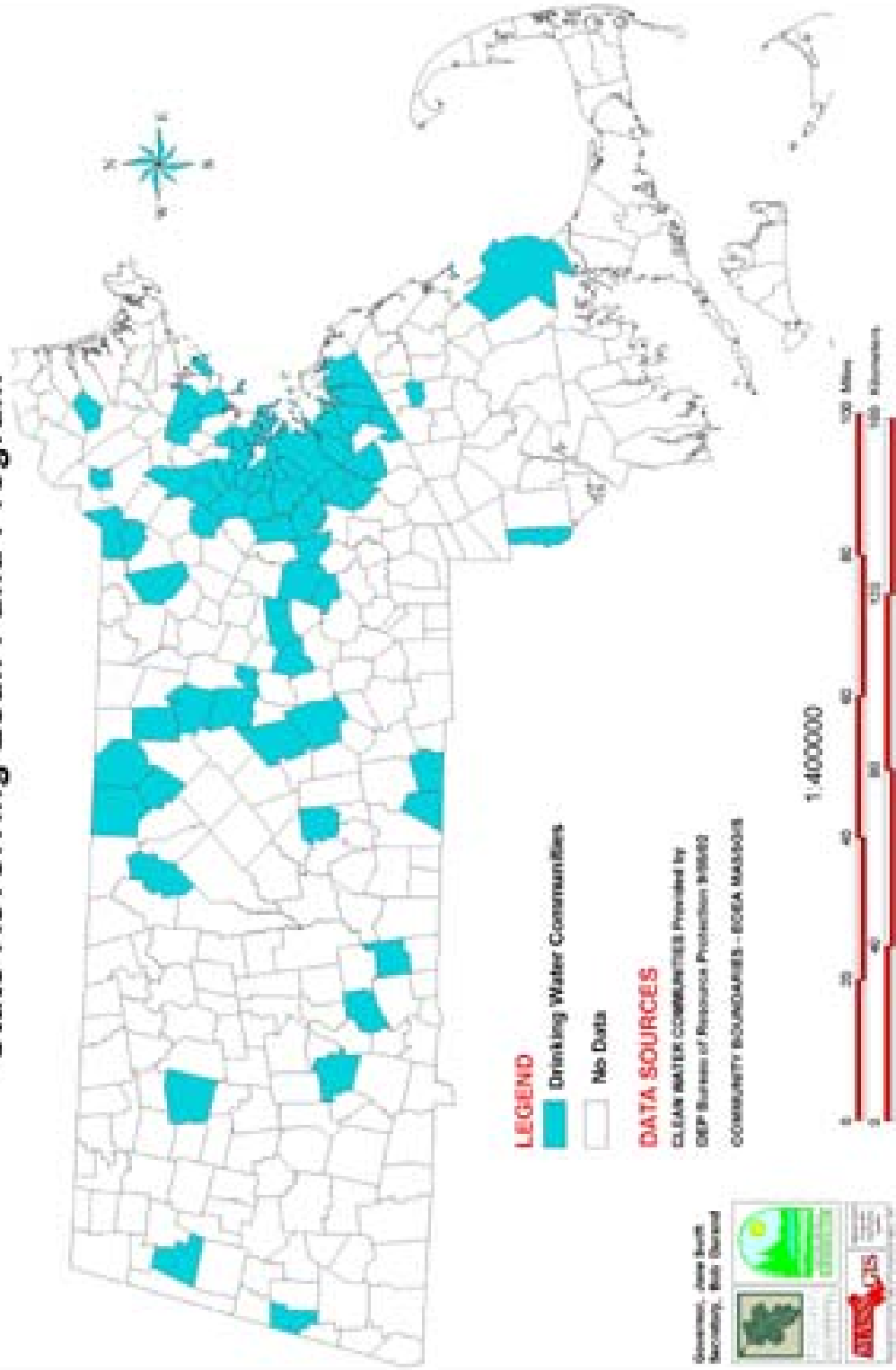
Nancy E. Parrillo  
*Treasurer*



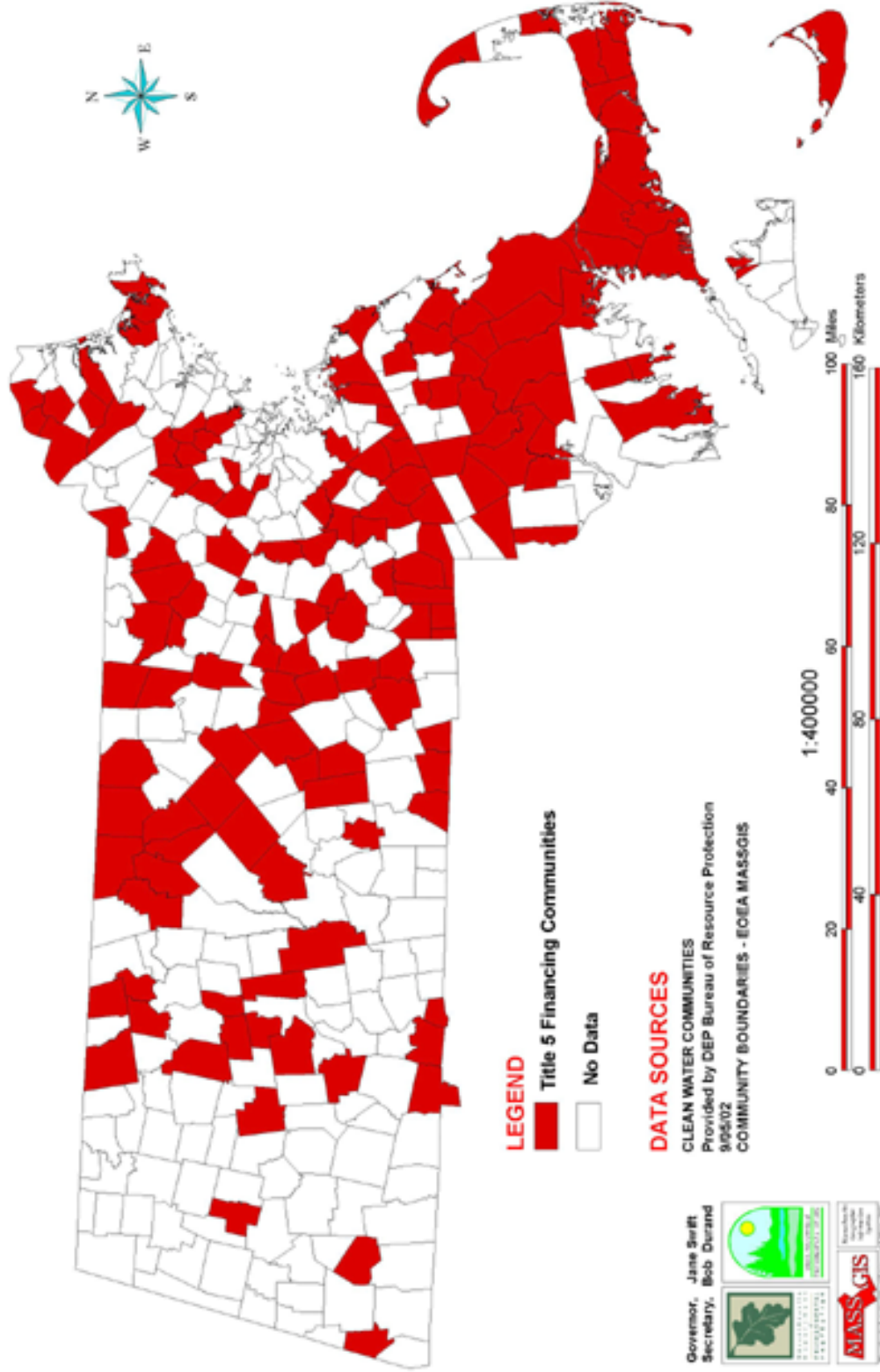
# **Massachusetts Water Pollution Abatement Trust** **Clean Water Communities** **State Revolving Loan Fund Program**



# Massachusetts Water Pollution Abatement Trust Drinking Water Communities State Revolving Loan Fund Program



# Massachusetts Water Pollution Abatement Trust Title 5 Financing Communities State Revolving Loan Fund Program



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Massachusetts Water  
Pollution Abatement Trust

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*William Patrick Pate*  
President

*Jeffrey L. Esser*  
Executive Director

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Massachusetts Water Pollution Abatement Trust

Fiscal Years Ended June 30, 2002 and 2001

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### FINANCIAL SECTION

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## **Independent Auditors' Report**

The Board of Trustees  
Massachusetts Water Pollution Abatement Trust:

We have audited the accompanying basic financial statements of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2002 and 2001, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the financial statements, the Trust adopted the provisions of Governmental Accounting Standards Board Statements No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

The Management's Discussion and Analysis on pages 27 through 32 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audits were made for the purpose of forming an opinion on the financial statements of the Trust taken as a whole. The combining financial statements and schedule listed in the accompanying table of contents are presented for purposes of additional analysis and are not required parts of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2002, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The introductory and statistical sections are presented for the purposes of additional information and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

August 23, 2002

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

### Required Supplementary Information Management's Discussion and Analysis

#### Management's Discussion and Analysis

The following is the management's discussion and analysis of the financial position and activities of the Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts, for the fiscal year ended June 30, 2002. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

#### Financial Highlights

- Assets exceed liabilities by \$1.24 billion, a 7% increase over FY01, at the close of the fiscal year. Included in this number is loans receivable, which increased from \$1.7 billion in FY01 to \$1.8 billion in FY02.
- Net assets increased by \$78.5 million from last year, a net change of 7%.
- Operating income decreased by \$17.0 million from FY01.
- The statement of cash flows indicates a negative change in cash for the year of \$8.6 million.
- In FY02, the Trust continued to receive its Capitalization Grants from the Environmental Protection Agency in both the Clean Water and Safe Drinking Water programs. The Trust received \$58.0 million for the Clean Water Program and \$5.7 million in the State Drinking Water Program. The Commonwealth provided a match of \$9.9 million for the Clean Water program. This has allowed the Trust to continue to expand the base of capital in the Revolving Fund and support the administrative costs without having to heavily rely on the Commonwealth of Massachusetts to keep the program viable.
- The Trust continues to maintain its ratings from all three major rating agencies on our bonds, thus allowing the Trust to continue to provide funds to communities at the lowest cost possible. The Trust's current ratings are:

<u>Ratings on Trust debt</u>	<u>Fitch IBCA</u>	<u>Moody's Investor's Service, Inc.</u>	<u>Standard &amp; Poor's</u>
Pooled Loan Program	AAA	Aaa	AAA
MWRA Loan Program	AA+ – AAA	Aaa	
		Aaa (insured) Aa3	
		(underlying)	
New Bedford Loan Program	AA – AAA		
South Essex Sewerage District Loan Program	AA	Aaa	

See accompanying independent auditors' report.

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

### Required Supplementary Information Management's Discussion and Analysis

#### **Overview of Financial Statements**

The financial section of this report consists of the following parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements.

The Trust's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government enterprise funds. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include statements of net assets, statements of revenues, expenses, and changes in net assets, and statements of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statements of net assets presents information on the assets and liabilities of the Trust. The difference between the two is net assets. Over time, increases and decreases in net assets may be an indicator of the strength or deterioration of the financial health of the Trust.

The statements of revenues, expenses, and changes in net assets reports the operating revenues and expenses and the non-operating revenues and expenses of the Trust for the fiscal year. The difference – increase or decrease in net assets – then determines the net change in assets for the fiscal year. This change in net assets added to last year's net assets will reconcile to the total net assets for this fiscal year.

The statements of cash flows reports activity of cash and cash equivalents during the fiscal year resulting from operating activities, capital and related financing activities, non-capital financing activities, and investing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at the end of the fiscal year. This statement is prepared using the direct method of presentation which allows the reader to easily discern the amount of cash received from grantors, borrowers and financial institutions and how much cash was disbursed to borrowers, suppliers and bondholders.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Required Supplementary Information Management's Discussion and Analysis

### Financial Analysis of the Trust

#### Net Assets

The Trust's net assets at June 30, 2002 were approximately \$1.24 billion, a 6.7% increase over the prior year (see Table A-1). Total assets increased 3% to \$3.08 billion, and total liabilities increased 1.5% to \$1.84 billion.

**Table A-1**

#### Massachusetts Water Pollution Abatement Trust's Net Assets (In thousands)

	<b>2002</b>	<b>2001</b>	<b>Increase (decrease)</b>
Current assets	\$ 591,341	589,258	2,083
Loans receivable, long term	1,706,689	1,644,786	61,903
Other	777,206	739,418	37,788
<b>Total assets</b>	<b>3,075,236</b>	<b>2,973,462</b>	<b>101,774</b>
Current liabilities	139,273	140,726	(1,453)
Long-term debt	1,663,989	1,611,775	52,214
Other	32,044	59,491	(27,447)
<b>Total liabilities</b>	<b>1,835,306</b>	<b>1,811,992</b>	<b>23,314</b>
Net assets:			
Restricted	1,026,312	903,256	123,056
Unrestricted	213,618	258,214	(44,596)
<b>Total net assets</b>	<b>\$ 1,239,930</b>	<b>1,161,470</b>	<b>78,460</b>

Although the financial markets have not been favorable in a general sense, the Trust achieved higher interest income than earned in FY01. This was due to successful bids on the Guaranteed Investment Contracts necessary to support the Pool 7 transaction and by moving our idle, free cash that is used to make interim loans from the Massachusetts Municipal Depository Trust (MMDT) into more lucrative tax-exempt, short-term instruments that had much higher yields. All of the Trust investment activities are subject to the Treasurer and Receiver General's investing policy.

### Long-Term Debt

The Trust incurs long-term debt in order to generate funds for communities for their construction projects under the Clean Water and Drinking Water programs. This debt is offset by the loans receivable carried on the Trust's Statements of Net Assets as the debt service requirements of this debt are secured by loan repayments by the borrower and investment and Commonwealth subsidies.

In FY02, the Trust's long-term debt position increased by \$59.3 million to \$1.74 billion. This increase is the net change in long-term debt due to the issuance of the Pooled Loan Program, Series 7 issue of \$321.8 million,

See accompanying independent auditors' report.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Required Supplementary Information Management's Discussion and Analysis

which was made up of \$123 million of new construction funding money, and funding to defease \$195.9 million of outstanding principal from the Pooled Loan Program, Series 1, 2, 3 as well as the two South Essex Sewerage District Loan Program bond issues. The Trust also retired an additional \$67.4 million of outstanding principal through regular payments to bondholders. The savings that will be realized by the Trust over the life of the refunding will be about \$8.3 million.

**Table A-2**

### Changes in the Massachusetts Water Pollution Abatement Trust's Net Assets (In thousands)

	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>Increase (decrease)</u>
Operating revenues:			
Interest income	\$ 118,210	114,593	3,617
Other	<u>2,918</u>	<u>5,621</u>	<u>(2,703)</u>
Total operating revenues	121,128	120,214	914
Operating expenses:			
Interest expense	92,515	83,948	8,567
Program support	19,795	14,434	5,361
Other	<u>7,791</u>	<u>3,780</u>	<u>4,011</u>
Total operating expenses	120,101	102,162	17,939
Operating income	1,027	18,052	(17,025)
Nonoperating (expenses) revenues:			
Operating grants	9,584	10,522	(938)
Capitalization grants	67,849	107,661	(39,812)
Capitalization grant disbursements	<u>—</u>	<u>(180)</u>	<u>180</u>
Total nonoperating income	<u>77,433</u>	<u>118,003</u>	<u>(40,570)</u>
Change in net assets	78,460	136,055	(57,595)
Total net assets, beginning of year	<u>1,161,470</u>	<u>1,025,415</u>	<u>136,055</u>
Total net assets, end of year	<u>\$ 1,239,930</u>	<u>1,161,470</u>	<u>78,460</u>

See accompanying independent auditors' report.

## **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

### **Required Supplementary Information Management's Discussion and Analysis**

This past year, operating revenues increased by 0.8% due primarily to three factors. First, the Trust experienced a 3.2% increase in interest income which is a primarily the result of the increased cash and investments generated through the issuance of the Pool 7 debt and realignment of investments due to market conditions. The second factor was a 48% decrease in other income due to a decrease in Loan Administration fees as a result of principal balances being reduced while the new fees from the Pool 7 issuance had not yet been implemented. As the Pool 7 debt included funds for refunding, the Trust was not able to assess the borrowers a reimbursement of Cost of Issuance costs. Third, a decrease in loan origination fees generated from Interim Loans because Pool 7 was issued early in the construction season and communities did not require "bridge" financing to get them through construction, waiting for the Trust to do its next bond issue. Nonoperating revenues decreased by 34.5% due to the timing of and receipt of EPA capitalization grants.

Operating expenses increased by 17.6% due to the increase in interest expense which is due to the issuance of the Pool 7 bonds. The 37.1% increase in Program Support was primarily due to the Department of Environmental Protection focusing on finalizing existing contracts with outside vendors, thus processing the final contingency invoices on these contracts.

#### **Loans Receivable**

Subsidized financing has been an important incentive for many communities to undertake water and sewer infrastructure improvement projects. Since the enactment of Chapter 95 of the Acts of 1995, which raised the level of loan subsidy on a prospective basis, the Trust has experienced a major increase in of loan activity.

As the result of state legislation that was enacted early in FY01, the subsidy levels for projects first appearing on an Intended Use Plan (IUP) in calendar year 2002 or later will be reduced. Rather than the current interest rate of approximately 0%, loans for those projects will be made at a rate of 2%. This increase in the interest rate is linked to a decision whereby the Trust will provide additional capacity for loans by leveraging its equity by a 3:1 ratio in the future rather than at the current standard ratio of 2:1. With the change in leveraging ratio, the Trust expects to be able to provide almost 50% more financing for eligible projects. Despite the increase in cost to each borrower, the Commonwealth's projected commitment to provide subsidy funding through contract assistance payments is expected to continue to grow since the Trust will be able to provide more capital to borrowers due to the change in the leveraging ratio. Even with this effective reduction in the subsidy levels offered to the communities, the program continued to expand, with the Trust's loan receivables increasing \$106.7 million to \$1.84 billion, a net change of 6%.

#### **Future Economic Factors**

In August 2002, the Commonwealth enacted Chapter 276 of the Acts of 2002. Sections 4 and 5 of the Act providing for \$46.5 million in matching capitalization funds for the Federal Clean and Drinking Water programs for the fiscal years of 2003 to 2007.

See accompanying independent auditors' report.

## **MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**

### **Required Supplementary Information Management's Discussion and Analysis**

#### **Requests for Information**

This financial report is intended to provide an overview of the financial picture of the Massachusetts Water Pollution Abatement Trust for those with an interest in the agency. Any further questions regarding any of the information contained within this report may be directed to the Executive Director or the Treasurer at One Ashburton Place, 12th Floor, Boston, MA 02108.

See accompanying independent auditors' report.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Statements of Net Assets

June 30, 2002 and 2001

(In thousands)

<b>Assets</b>	<b>2002</b>	<b>2001</b>
Current assets:		
Cash and cash equivalents (note 3)	\$ 232,943	241,524
Short-term investments (note 3)	56,297	97,158
Grants receivable:		
U.S. Environmental Protection Agency	99,442	91,446
Commonwealth of Massachusetts	20,650	23,150
Loans receivable, current (note 6)	134,645	89,871
Accrued interest receivable	46,287	45,041
Loan servicing fees receivable	1,077	1,068
Total current assets	<u>591,341</u>	<u>589,258</u>
Noncurrent assets:		
Loans receivable, long-term (note 6)	1,706,689	1,644,786
Long-term investments (note 3)	774,565	735,848
Other assets	2,641	3,570
Total assets	<u>3,075,236</u>	<u>2,973,462</u>
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	332	374
Accrued interest payable	38,191	36,879
Deferred revenue	—	1,515
Current portion of loan commitments	27,700	36,023
Current portion of long-term debt (note 7)	73,050	65,935
Total current liabilities	<u>139,273</u>	<u>140,726</u>
Noncurrent liabilities:		
Loan commitments	31,193	58,893
Accrued interest on capital appreciation bonds	851	598
Long-term debt, net (note 7)	1,663,989	1,611,775
Total liabilities	<u>1,835,306</u>	<u>1,811,992</u>
<b>Net Assets</b>		
Restricted (note 8)	1,026,312	903,256
Unrestricted (note 8)	213,618	258,214
Commitments and contingencies (note 9)		
Total net assets	<u>\$ 1,239,930</u>	<u>1,161,470</u>

See accompanying notes to basic financial statements.



# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2002 and 2001

(In thousands)

	<u>2002</u>	<u>2001</u>
Operating revenues:		
Loan servicing fees	\$ 2,508	4,567
Loan origination fees	410	1,054
Interest income	118,210	114,593
Total operating revenues	<u>121,128</u>	<u>120,214</u>
Operating expenses (note 5):		
Commonwealth of Massachusetts:		
Department of Environmental Protection – programmatic support costs	19,795	14,434
General and administrative	1,674	3,780
Arbitrage rebate payments	6,117	—
Interest expense	92,515	83,948
Total operating expenses	<u>120,101</u>	<u>102,162</u>
Operating income	<u>1,027</u>	<u>18,052</u>
Nonoperating revenue:		
Operating assistance:		
U.S. Environmental Protection Agency	1,584	2,522
Commonwealth of Massachusetts	8,000	8,000
Capitalization grant revenue (expense) (note 8):		
U.S. Environmental Protection Agency capitalization grants	57,963	72,197
Commonwealth of Massachusetts matching grants	9,886	35,464
Capitalization grant disbursements	—	(180)
Total nonoperating revenue	<u>77,433</u>	<u>118,003</u>
Increase in net assets	78,460	136,055
Beginning of year net assets	<u>1,161,470</u>	<u>1,025,415</u>
End of year net assets	<u><u>\$ 1,239,930</u></u>	<u><u>1,161,470</u></u>

See accompanying notes to basic financial statements.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Statements of Cash Flows

Years ended June 30, 2002 and 2001

(In thousands)

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,909	5,342
Cash received from borrowers	89,871	127,438
Interest received	116,964	106,368
Loans disbursed to recipients	(233,157)	(407,158)
Cash paid to suppliers	(27,031)	(18,202)
Interest paid	(90,950)	(77,587)
Net cash used for operating activities	<u>(141,394)</u>	<u>(263,799)</u>
Cash flows from capital and related financing activities:		
Proceeds from USEPA capitalization grants	49,967	82,492
Proceeds from Commonwealth matching capitalization grants	12,386	12,314
Disbursements from capitalization grants	—	(180)
Net cash used by capital and related financing activities	<u>62,353</u>	<u>94,626</u>
Cash flows from noncapital financing activities:		
Bonds proceeds	321,805	341,430
Repayment of bonds	(263,090)	(60,456)
Operating assistance from U.S. EPA	1,584	2,522
Operating assistance from Commonwealth of Massachusetts	8,000	8,000
Net cash provided by noncapital financing activities	<u>68,299</u>	<u>291,496</u>
Cash flows from investing activities:		
Purchases of investments	(1,536,271)	(1,673,759)
Proceeds from sales of investments	1,538,432	1,567,240
Net cash provided (used) by noncapital financing activities	<u>2,161</u>	<u>(106,519)</u>
Net increase (decrease) in cash and cash equivalents	(8,581)	15,804
Cash and cash equivalents, beginning of year	241,524	225,720
Cash and cash equivalents, end of year	<u>\$ 232,943</u>	<u>241,524</u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	\$ 1,027	18,052
Adjustments to reconcile operating income to net cash used for operating activities:		
Amortization	597	—
Changes in operating assets and liabilities:		
Loans receivable	(106,677)	(272,450)
Accrued interest receivable	(1,246)	(8,225)
Loan servicing fees receivable	(9)	(279)
Other assets	929	(2,153)
Accrued expenses	(42)	12
Accrued interest payable	1,565	6,604
Deferred revenue	(1,515)	98
Loan commitments	(36,023)	(5,458)
Net cash used for operating activities	<u>\$ (141,394)</u>	<u>(263,799)</u>

See accompanying notes to basic financial statements.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

### (1) Organization

The Massachusetts Water Pollution Abatement Trust (the Trust), a component unit of the Commonwealth of Massachusetts (the Commonwealth), was created by Chapter 275 of the Acts of 1989 of the Commonwealth (the Act) to implement the State Revolving Fund (the SRF) Program for the Commonwealth, contemplated by Title VI of the Federal Clean Water Act (the CWA). The Trust is a state authority and is governed by a Board of Trustees consisting of the State Treasurer, the Secretary of the Executive Office for Administration and Finance, and the Commissioner of the Department of Environmental Protection (the DEP).

The financial and management activities of the Trust are administered by employees of the State Treasurer's office. The project oversight and direction is provided by the DEP. Certain financial oversight is provided by the Executive Office for Administration and Finance. The Trust commenced operations in June 1990. The long-term goals of the Trust include creating and implementing an SRF program that provides a source of financing for water pollution abatement projects (the projects). Construction of projects on the National Municipal Policy List, the cleanup of Boston Harbor, and the correction of combined sewer overflows (CSO) are prime focuses for the federal SRF Program.

The Trust is authorized by the Act to borrow money through the issuance of revenue bonds and to apply the proceeds thereon, together with federal and state capitalization grants and other funds made available to the Trust, to make loans to local governmental units to finance the costs of eligible water pollution abatement projects (the Leveraged Loan Program).

During fiscal 1993, the legislature enacted an amendment to the Act. This law, Chapter 203 of the Acts of 1992 (Chapter 203), states that all eligible loans made by the Trust can have subsidies that accomplish a grant equivalency of 25%. This amendment further directs that certain projects on the DEP's Intended Use Plan prior to 1992 should receive higher subsidy levels.

Chapter 203 also reduces the total authorization for Commonwealth general obligation bonds for the Trust from \$1.3 billion to \$122 million. State matching funds for the federal SRF and reserve funds for the Commonwealth SRF continue to be funded through a general obligation bond source. However, all subsidy contributions now come from a Commonwealth Contract Assistance Agreement that is provided through the Commonwealth's annual operating budget and cannot exceed \$26 million in any one fiscal year. This has the net effect of reducing authorized Commonwealth debt while still ensuring funding for a perpetual state revolving fund.

During fiscal 1994, the Trust established an Interim Loan Program and a Small Direct Loan Program for local government units' borrowing needs. The Interim Loan Program provides temporary short-term financing to local government units that are to be subsequently refinanced through permanent leveraged loans. The Small Direct Loan Program finances single small projects where leveraged loans would not be financially feasible for the local government units.

During fiscal 1996, the Commonwealth approved an amendment to Chapter 29C of the General Laws to provide a subsidy or other assistance equivalent to a grant of 50% of the eligible costs of the project financed by the loan. The amendment is applicable for all loans issued after October 1, 1995. This amendment provides additional subsidy levels of up to \$8 million annually.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

Amendments to the federal Safe Drinking Water Act adopted in 1996 provide for the establishment of additional state revolving fund programs to provide financial assistance to various community water systems (including for-profit companies) and not-for-profit noncommunity water systems for expenditures that will facilitate compliance with national drinking water regulations or otherwise advance the health protection objectives of the Safe Drinking Water Act. The Safe Drinking Water Act and draft regulations and other guidance issued by the United States Environmental Protection Agency contemplate that state revolving fund programs established in accordance with the Safe Drinking Water Act will operate under terms and conditions substantially similar to programs developed under the federal Clean Water Act. In addition, the amendments to the Safe Drinking Water Act provide Authority for the consolidation of a Safe Drinking Water Act revolving fund with a Clean Water Act revolving fund for purposes of investment and the issuance of, and security for, bonds.

During fiscal 1998, the Trust created a new fund to account for the receipts and disbursements in conjunction with the Commonwealth's Title V regulations. The Community Septic Management Program Fund is the recipient of amounts bonded for in the Third Pooled Loan Program Financing on April 29, 1997 and the Fourth Pooled Loan Program Financing on December 9, 1998. It also is used for pass-through assistance payments from the Commonwealth to communities to fund administrative costs in setting up loan programs to homeowners at the community level.

The Enabling Act was amended by the Massachusetts legislature on April 2, 1998 to authorize the Trust to establish a revolving fund program under the Safe Drinking Water Act.

### (2) **Summary of Significant Accounting Policies**

The accounting policies of the Trust conform to generally accepted accounting principles as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

#### (a) ***Basis of Presentation***

The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's requirements for an enterprise fund. Operating revenues and expenses are generated through the issuance of loans to local government units within the Commonwealth. All other revenues and expenses are reported as nonoperating revenues and expenses.

Under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Trust has elected to apply all Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with or contradict GASB pronouncements.

#### (b) ***Cash and Cash Equivalents***

The Trust's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

## MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

### Notes to Financial Statements

June 30, 2002 and 2001

#### (c) *Investments*

Investments are carried at fair value. Where applicable, fair values are based upon quotations from national security exchanges.

Under the Massachusetts Water Pollution Abatement Trust Program Resolutions (the Resolutions), as amended and supplemented at various bond sale dates, the Trust must maintain certain investment funds in the Federal SRF Loan Program and Commonwealth SRF Loan Program with State Street Bank & Trust Company (the Trustee). The types of funds held by the Trustee are as follows:

*Equity Fund* – The Equity Fund consists of cash and cash equivalents which are currently held at the Massachusetts Municipal Depository Trust (MMDT). The Equity Fund is comprised of both a federal program account and a Commonwealth program account and can be used for programmatic costs and operating expenses within the Federal SRF Loan Program or Commonwealth SRF Loan Program, as applicable. These funds are derived from: (1) funds drawn by the Trust from federal capitalization grants and Commonwealth matching funds; (2) other amounts paid to the Trust representing financial assistance provided pursuant to the Act for purposes of deposit in the Federal SRF Loan Program; (3) other amounts appropriated to the Trust by the Commonwealth for purposes of the Federal SRF Loan Program or Commonwealth SRF Loan Program; (4) direct loan repayment; (5) interest earnings on investment or deposits of amounts held in the Equity Fund; and (6) amounts transferred from the Debt Service Reserve Fund as a result of loan repayments in accordance with the provisions specified in the Resolutions.

*Interim Loan Fund* – The Interim Loan Fund has been established to fund temporary loans in anticipation of permanent leveraged borrowings. The source of funds is the Equity Fund.

*Project Funds* – The Project Funds disburse bond proceeds to borrowers as needed. These funds are restricted by the bond resolutions and are to be applied solely to the payment or refinancing of costs associated with the applicable project. When all costs have been paid, any amounts remaining unexpended in the Project Funds can be applied to the repayment of the applicable loan service to bondholders. The monies are derived from semiannual loan repayments, which include payments from borrowers, interest earnings on the Debt Service Reserve Funds, and Commonwealth contract assistance payments.

*Debt Service Reserve Funds* – Debt Service Reserve Funds consist of reserve requirements equal to 50% of the principal amount outstanding on Clean Water bonds and 40% on Drinking Water bonds. In accordance with each bond resolution, amounts are transferred from the Equity Fund to the particular Debt Service Reserve Funds. Interest earnings on the Debt Service Reserve Funds are transferred to their corresponding Revenue Fund and used for debt service payments.

*Debt Service Funds* – Debt Service Funds are used as a pass-through of principal and interest from the Revenue Funds to the bondholders. The Debt Service Funds are also used to hold accrued interest on the bonds to be applied to pay a portion of the interest due on the bonds.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

**(d) Capital Assets**

The Trust's capital asset capitalization policy conforms with the Commonwealth's threshold of \$15,000. As of June 30, 2002 and 2001, the Trust did not have any capital assets.

**(e) Loan Origination Fees and Costs of Issuance**

Fees received and certain direct costs incurred, relating to the origination of loans, have been deferred and are included with loans receivable in the accompanying balance sheets. Loan origination fees and costs are amortized over the life of the loans to which the fees and costs relate using the level-yield method. Origination fees charged to leveraged borrowers are capped at the estimated costs of leveraged transactions as proposed in the Trust's administrative budget and allocated to all borrowers, excluding the Title V program.

**(f) Risk Financing**

The Trust is not insured for casualty, theft, tort claims, or other losses. No amounts have been accrued for such losses as they are not considered material. As discussed in note 1, all financial, management and project oversight activities are provided by employees of the State Treasurer's Office, DEP, and the Executive Office for Administration and Finance. These employees are covered under the Commonwealth's workers' compensation and group insurance programs. The cost of these programs is allocated to the Trust, through the fringe benefit allocation. As described in note 5, the Trust is only allowed to expend up to 4% of the federal capitalization grant on program administration costs; therefore, any costs in excess of this amount will be borne by the Commonwealth. As a result, no liability for workers' compensation or group insurance has been recorded by the Trust.

**(g) Capitalization Grants**

Funding from federal capitalization grants and state matching grants are recorded as nonoperating revenues.

**(h) Other Assets**

Other assets consist of the unamortized portion of bond issue costs, which are amortized over the life of the bonds, and deferred charges, which are "unreclassified" state appropriations for matching funds that are allocated to administrative costs.

**(i) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**(j) Changes in Accounting Principles**

The Trust adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and*

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

*Local Governments* (Statement 34) in 2002, effective July 1, 2001. Statement 34 establishes financial reporting standards for all state and local governmental entities. Statement 34, as it applies to the Trust, primarily relates to presentation and disclosure requirements and had no impact on net assets as of June 30, 2002 and 2001. The impact of changes on the report include: the presentation of balance sheet in a “net assets” format, the inclusion of Management’s Discussion and Analysis, and the presentation of cash flows on the direct rather than the indirect method.

The Trust adopted the provisions of the Governmental Accounting Standards Board Statement No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures* (Statement 38) in 2002, effective July 1, 2001. The implementation of Statements 37 and 38 had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

### (3) Deposits and Investments

Cash, cash equivalents, and investments are separately held by several of the Trust’s funds.

#### (a) Cash and Cash Equivalents

The Trust’s cash and cash equivalents, \$232,943,000 and \$241,524,000, as of June 30, 2002 and 2001, respectively, represent units purchased in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns and other state and local agencies within the Commonwealth. The Trust’s fair value of its investment in the MMDT represents their value of the pool’s share. For purposes of risk organization, MMDT shares are not categorized.

#### (b) Investments

Trust management invests primarily in U.S. government securities and guaranteed investment contracts.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

The Trust's investments are categorized below, indicating the level of risk assumed by the Trust at year end. Category 1 includes investments insured or registered in the Trust's name or securities held by the Trust or its agent (State Street Bank & Trust Company) in the Trust's name. Category 2 includes investments uninsured and unregistered with securities held by the broker's or dealer's trust department or agent in the Trust's name. Category 3 includes investments uninsured and unregistered with securities held by the broker or dealer, or by its trust department or agent, but not in the Trust's name.

(In thousands)				
June 30, 2002				
Category				Total fair value
1	2	3		
U.S. Treasury Bonds	\$ 6,281	—	—	6,281
Uncategorized guaranteed investment contracts:				
Long term	—	—	—	768,284
Short term	—	—	—	56,297
	<u>\$ 6,281</u>	<u>—</u>	<u>—</u>	<u>830,862</u>
(In thousands)				
June 30, 2001				
Category				Total fair value
1	2	3		
U.S. Treasury Bonds	\$ 100,520	—	—	100,520
Uncategorized guaranteed investment contracts:				
Long term	—	—	—	635,328
Short term	—	—	—	97,158
	<u>\$ 100,520</u>	<u>—</u>	<u>—</u>	<u>833,006</u>

### (4) Capitalization Grants

The operating agreements for the federal capitalization grants require that the Trust enter into binding commitments with local government units within one year of the receipt of each federal grant payment to provide assistance in an amount equal to 120% (including 20% state matching grants) of each federal capitalization grant. Federal grant payments are received by the Trust in the form of an automated clearing house account. For financial statement purposes, federal capitalization grants and the 20% state matching grants has been recognized in the Federally Capitalized SRF for the amount of executed loan agreements and binding commitments (see notes 6, 8, and 9).

The Federal Safe Drinking Water Program and the Federally Capitalized Community Hardship Loan Program have different allocation percentages. For the Federal Safe Drinking Water Program, each grant



# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

year has a different allocation based on the amount of federal set-asides used. An additional 20%, or \$5.7 million was matched from required state matching funds, already on hand at the Trust. All draws for project costs and for reserve funding must maintain this proportionality under the Federal Safe Drinking Water Act. For the 2002 and 2001 grant years, the proportionality is determined as follows:

<b>Clean water program</b>	<b>Grant year</b>	
	<b>2002</b>	<b>2001</b>
Federal capitalization	\$ 52,262,998	45,162,315
State match on federal funds (20%)	10,452,599	9,052,599
Total capitalization	62,715,597	54,214,914
Less federally mandated "set-asides"	(2,090,520)	(2,168,597)
Project capitalization	\$ 60,625,077	52,046,317
Federal proportionality	80%	80%
State proportionality	20%	20%

<b>Drinking water program</b>	<b>Grant year</b>	
	<b>2002</b>	<b>2001</b>
Federal capitalization	\$ 5,700,000	24,285,300
State match on federal funds (20%)	—	4,857,060
Total capitalization	5,700,000	29,142,360
Less federally mandated "set-asides"	(5,700,000)	—
Project capitalization	\$ —	29,142,360
Federal proportionality	0%	80%
State proportionality	0%	20%

The Federally Capitalized Community Hardship Loan Program has an 85% federal funding portion. The remaining 15% is funded from services provided "in-kind" by the DEP to either the EPA or to the borrower.

The Clean Water State Revolving Fund Loan Program is unchanged from previous years. The total federal award and the state matching funds of 20% are reduced by 4% for an administrative allowance. The total amount available for financing is net of this allowance.

### (5) Expenses

Trust expenses in the accompanying statements of revenues, expenses, and changes in net assets include programmatic support costs and water pollution control regulatory program costs incurred by the DEP which are billed to the Trust, and other general and administrative expenses.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

**(a) *Federally Capitalized SRF***

The operating agreements allow the Trust to fund program administration costs with either federal grant and/or state matching monies, up to a maximum amount of 4% of the federal capitalization grant. Currently, state law directs the entire 4% to fund the DEP programmatic support costs.

These monies may be used for reasonable, allowable, direct, and indirect costs. The Trust may also use the program administration funds for the reimbursement of support services from the DEP and other Commonwealth agencies to the extent such costs and services relate to the Federally Capitalized SRF. Programmatic support costs incurred by the DEP, which were funded by federal grants, consist of payroll costs and include a fringe benefit allocation of 29% which has been approved by the EPA and a DEP overhead allocation of 15.87%.

On August 28, 2001, the Trust made an arbitrage rebate payment to the Internal Revenue Service of \$2,544,538 for the New Bedford Loan Program, Series 1996A for the period of July 10, 1996 through July 10, 2001. On February 1, 2002, the Trust made a second payment of \$1,335,672 for the South Essex Sewerage District Loan Program, Series 1996A for the period of December 5, 1996 to December 5, 2001. On June 19, 2002, the Trust made a payment of \$2,236,815 for the Pool Loan Program, Series 3, for the period of April 29, 1997 through April 29, 2002. The Trust will be performing ten-year calculations for the Massachusetts Water Resources Authority Loan Program, Series 1993A in FY03.

**(b) *Commonwealth Capitalized SRF***

The Act also authorizes Commonwealth expenditures for administration costs over the life of the Trust, including costs for employees assigned to the Water Pollution Control Regulatory Program, the Water Supply SRF Development Program that was previously funded by a CWA Grant, and the transition to and the administration of the SRF program, including consultant services or salaries of employees. The Board of Trustees reviews and approves a spending budget for administration costs.

**(c) *Community Septic Management Program Fund***

The fund received from the Commonwealth and passed on to eligible communities \$121,000,000 and \$140,000,000 in assistance payments during the fiscal years ended June 30, 2002 and 2001 respectively. These payments are to be used to fund administrative costs in setting up a community septic loan program and related betterment agreements with homeowners.

**(d) *Federally Capitalized Safe Drinking Water Act Revolving Fund***

Expenses during fiscal 2002 and 2001 for administration of the fund were \$1,926,524 and \$1,035,902 for payroll costs, \$1,321,556 and \$1,797,274 for small systems assistance, \$6,089,324 and \$705,216 for source water protection and \$4,350,419 and \$1,324,604 for local assistance, respectively. All charges were paid out of federal funds.

**(e) *Commonwealth Capitalized Drinking Water Subsidy Fund***

The fund had \$8.0 million and \$7.8 million of pass-through expenditures approved by the DEP in fiscal 2002 and 2001, respectively. To fund these disbursements, the Commonwealth appropriated \$8 million in each fiscal year, as required under Chapter 78 of the Acts of 1998.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

### (6) Loans Receivable and Bonds Purchased

The Trust issued a total of thirty-three loan or bond purchase agreements during fiscal 2002. An additional seventy-eight loans were disbursements under the Community Septic Management Program Fund. Pursuant to agreements with the EPA, bond purchase agreements are used for communities involved in extended financing. Of the thirty-three agreements, four were issued as 30-year bond purchase agreements to the towns of Acton, Kingston and West Boylston, as well as the Massachusetts Development Finance Authority for at total of \$40.3 million.

A summary of these receivables as of June 30, 2002 and 2001 is as follows (amounts in thousands):

		<u>2002</u>	<u>2001</u>
Leveraged loans or bonds purchased	\$	1,744,192	1,696,419
Direct loans		1,121	248
Interim loans		<u>96,021</u>	<u>37,990</u>
		1,841,334	1,734,657
Current portion		<u>134,645</u>	<u>89,871</u>
Long-term portion	\$	<u><u>1,706,689</u></u>	<u><u>1,644,786</u></u>

Aggregate principal maturities on loans receivable or bonds purchased are as follows (amounts in thousands):

2003	\$ 134,645
2004	116,369
2005	76,480
2006	76,915
2007	79,230
Thereafter	<u>1,357,695</u>
	<u><u>\$ 1,841,334</u></u>

Subsidy payments to be applied to repayments from borrowers include interest earnings provided by Debt Service Reserve Funds and contract assistance provided to the Trust by the Commonwealth. Both of these subsidies are expected to be available for the lives of the financing agreements. For the leveraged bond purchase program, pursuant to an agreement with the Commonwealth, subsidies are drawn in an amount as if the financing was for a twenty-year period. The amount that is not currently needed is invested at the applicable bond yield until funds are needed for subsidies beyond year 20, similar to an annuity. If subsidy funds are not available, the obligation of the borrower is increased by such shortfall.

The agreement requires the borrower to pay the Trust an annual or semiannual servicing fee equal to 0.15% or 0.075%, respectively, of the principal obligation outstanding on the applicable date. As of June 30, 2002, all borrowers have opted for the semiannual payment schedule. None of these fees are capitalized as part of a borrower's obligation to the Trust.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

### (7) Bonds Payable

The following is a summary of bonds payable at June 30, 2001 and 2002 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Water Pollution Abatement Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 12,095	—	1,485	10,610	1,420
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	8,790	—	875	7,915	855
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	10,185	—	925	9,260	905
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	18,425	—	1,395	17,030	1,375
South Essex Sewage District Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	62,840	—	52,040	10,800	1,185
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	71,390	—	59,745	11,645	1,130
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	19,140	—	1,875	17,265	1,815
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	60,320	—	21,510	38,810	5,015
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	43,105	—	23,665	19,440	3,095
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	112,585	—	58,360	54,225	6,815
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	143,720	—	7,095	136,625	7,220
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	262,040	—	9,860	252,180	10,675
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	341,430	—	11,860	329,570	12,875
Series 7, 3.0% to 5.25% issued July 15, 2001, due 2001 to 2021	—	321,805	3,025	318,780	8,945
Subordinated Revenue Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	\$ 120,045	—	2,110	117,935	2,260
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	391,600	—	7,265	384,335	7,765
Subtotal	1,677,710	321,805	263,090	1,736,425	73,050
Less unamortized amounts:					
Bond premium	—	9,302	(406)	8,896	—
Net unamortized excess of reacquisition price over net carrying value of defeased bonds	—	(8,879)	597	(8,282)	—
Total bonds payable	\$ 1,677,710	322,228	263,281	1,737,039	73,050

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

The following is a summary of bonds payable at June 30, 2000 and 2001 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Water Pollution Abatement Revenue Bonds:					
MWRA Loan Program:					
Series 1993A, 4.5% to 5.45%, issued March 18, 1993, due 2000 to 2013	\$ 13,631	—	1,536	12,095	1,485
Series 1993B, 4.3% to 5.25%, issued January 6, 1994, due 2000 to 2014	9,685	—	895	8,790	875
Series 1995A, 4.5% to 6.0%, issued November 21, 1995, due 2000 to 2015	11,125	—	940	10,185	925
Series 1998A, 4.0% to 5.375%, issued July 9, 1998, due 2000 to 2018	19,830	—	1,405	18,425	1,395
South Essex Sewage District Loan Program:					
Series 1994A, 5.3% to 6.375%, issued November 1, 1994, due 2001 to 2015	65,665	—	2,825	62,840	1,210
Series 1996A, 4.25% to 6.0%, issued December 5, 1996, due 2000 to 2016	74,940	—	3,550	71,390	3,620
New Bedford Loan Program:					
Series 1996A, 4.8% to 6.0%, issued July 10, 1996, due 2000 to 2016	21,070	—	1,930	19,140	1,875
Pool Loan Program:					
Series 1, 4.75% to 5.6%, issued July 14, 1993, due 2000 to 2013	65,065	—	4,745	60,320	4,980
Series 2, 4.9% to 6.125%, issued June 1, 1995, due 2001 to 2015	45,915	—	2,810	43,105	2,945
Series 3, 4.6% to 6.0%, issued April 29, 1997, due 2001 to 2017	119,105	—	6,520	112,585	6,665
Series 4, 4.0% to 5.125%, issued December 9, 1998, due 2000 to 2018	150,410	—	6,690	143,720	7,095
Series 5, 4.25% to 5.75%, issued October 6, 1999, due 2000 to 2029	271,700	—	9,660	262,040	9,860
Series 6, 4.5% to 5.66% issued November 6, 2000, due 2001 to 2030	—	341,430	—	341,430	11,860
Subordinated Revenue Refunding Bonds:					
New Bedford Loan Program:					
Series 1998A, 4.0% to 5.25%, issued December 23, 1998, due 2001 to 2026	122,010	—	1,965	120,045	2,110
MWRA Loan Program:					
Series 1999A, 4.2% to 6.0%, issued November 3, 1999, due 2000 to 2029	406,585	—	14,985	391,600	7,265
Total bonds payable	\$ <u>1,396,736</u>	<u>341,430</u>	<u>60,456</u>	<u>1,677,710</u>	<u>64,165</u>

All bonds are payable from amounts pledged pursuant to the Water Pollution Abatement Project Bond Resolutions, which include payments by the local governmental units of principal and interest on the loans and amounts on deposit in the Debt Service Reserve Funds. Pursuant to the Commonwealth Assistance Contract (the Contract), the Commonwealth has agreed to provide Contract Assistance payments to the Trust to reduce the payments by local governmental units. The Contract is not pledged as security for the bonds; however, the Contract Assistance payments, when received by the Trust, are pledged as security for the bonds.

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

In July 2001, the Trust issued \$321.8 million of Water Pollution Abatement Revenue Bonds Pool Loan Program Series 7. This issue included \$198.3 million of refunding bonds and \$123.5 million of funds for new Clean Water and Drinking Water program projects. The proceeds of the refunded debt were deposited into a refunding trust escrow to defease \$195.9 million of previously issued debt. The advance refunding resulted in a difference between the reacquisition price and the carrying amount of the defeased Bonds and a decrease in the corresponding Pool loans and the South Essex Sewerage District (SESD) loans of \$8.9 million and resulted in an economic gain of \$6.5 million. This difference decreased the outstanding bonds of the Trust and the corresponding loans receivable from the SESD and the various borrowers included in Pools 1, 2 and 3.

In October 2000, the Trust issued \$341.4 million of Pool Loan Program, Series 6. This was issued to finance 92 clean water and drinking water projects across 40 communities and special districts.

Scheduled future debt service payments are as follows (amounts in thousands):

	<b>Total debt service</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:			
2003	\$ 162,298	73,050	89,248
2004	161,028	75,055	85,973
2005	159,058	76,480	82,578
2006	155,974	76,915	79,059
2007	158,312	79,230	79,082
2008-2012	734,101	422,185	311,916
2013-2017	622,461	416,470	205,991
2018-2022	391,085	291,905	99,180
2023-2027	197,418	158,565	38,853
2028-2031	72,910	66,570	6,340
	<u>\$ 2,814,645</u>	<u>1,736,425</u>	<u>1,078,220</u>

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

At June 30, 2002, the outstanding balances of bonds defeased “in-substance” in prior years is as follows (amounts in thousands):

Description	Redemption date	Outstanding principal amount	
		2002	2001
MWRA Loan Program:			
Series 1993A	November 3, 1999	\$ 82,360	87,815
Series 1993B	November 3, 1999	52,250	54,930
Series 1995A	November 3, 1999	55,410	57,760
Series 1998A	November 3, 1999	92,720	98,425
New Bedford Loan Program:			
Series 1996A	December 23, 1998	99,060	103,815
South Essex Sewage District Loan Program:			
Series 1994A	July 15, 2001	50,830	—
Series 1996A	July 15, 2001	56,125	—
Pool Loan Program			
Pool 1	July 15, 2001	16,530	—
Pool 2	July 15, 2001	20,720	—
Pool 3	July 15, 2001	51,695	—

# MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST

## Notes to Financial Statements

June 30, 2002 and 2001

Outstanding bonds that are redeemable before their scheduled due dates are as follows at June 30, 2002 (amounts in thousands):

Description	Redemption date	Redemption price	Outstanding principal amount	
			2002	2001
MWRA Loan Program:				
Series 1993A	February 2003	100% to 102%	\$ 88,675	88,675
Series 1995A	August 2005	100% to 102%	52,735	52,735
Series 1998A	August 2008	100% to 101%	79,955	79,955
Series 1999A	August 2009	100% to 101%	256,605	256,605
South Essex Sewage District Loan Program:				
Series 1994A	February 2004	100% to 102%	53,380	53,380
Series 1996A	August 2006	100% to 101%	48,235	48,235
New Bedford Loan Program:				
Series 1996A	February 2006	100% to 101%	88,000	88,000
Series 1998A	February 2009	100% to 101%	86,220	86,220
Pool Loan Program:				
Series 1	August 2003	100% to 102%	47,835	47,835
Series 2	February 2005	100% to 102%	25,330	25,330
Series 3	February 2007	100% to 101%	71,090	71,090
Series 4	August 2008	100% to 101%	78,185	78,185
Series 5	August 2009	100% to 101%	159,800	159,800
Series 6	August 2010	100% to 101%	166,635	166,635

### (8) Net Assets

As of June 30, 2002, the Trust has restricted net assets in the amount of \$1,026,312 and unrestricted net assets in the amount of \$213,618. Restricted net assets represent capitalization grants received cumulative to date from the U.S. Environmental Protection Agency and corresponding matching amounts received from the Commonwealth of Massachusetts. The capitalization grants are restricted to provide financial assistance, but not grants, to local communities and interstate agencies for the construction of wastewater treatment works, drinking water infrastructure improvements, and other related projects as described in note 1.

### (9) Commitments

As of June 30, 2002, the Trust has agreed to provide loans to various local government units amounting to approximately \$173 million, excluding loans to be disbursed, which will be funded or collateralized with grant awards received through June 30, 2002.



# Massachusetts Water Pollution Abatement Trust

## COMBINING FINANCIAL STATEMENTS AND SCHEDULE FOR THE YEAR ENDED JUNE 30, 2002 (With Comparative Amounts as of June 30, 2001)

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### NARRATIVE

***Federally Capitalized State Revolving Fund*** – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding. The fund also is used to account for receipts and disbursements for loan and bond transactions not accounted for in the Commonwealth Capitalized SRF.

***Commonwealth of Massachusetts Capitalized State Revolving Loan Fund*** – is used to account for amounts received and expended from the Commonwealth Capitalized SRF.

***General Operations Fund*** – is used to account for amounts received and expended for the general and administrative costs not applicable to the other three funds.

***Community Septic Management Fund*** – is used to account for amounts received and expended for the purpose of funding loans and assistance payments to eligible communities under the Commonwealth's Title V regulations.

***Federally Capitalized Safe Drinking Water State Revolving Fund*** – is used to account for amounts received and expended from the Federally Capitalized SRF, proposed by the Safe Drinking Water Act of 1996, along with amounts received and expended from the required state matching of federal funding.

***Commonwealth Capitalized Drinking Water Subsidy Fund*** – is used to account for amounts received and expended in the form of Commonwealth pass-through subsidies for local governments. The projects that are subsidized are federally eligible under the Safe Drinking Water Act, but were set aside from the Federally Capitalized Safe Drinking Water State Revolving Fund under Chapters 88 and 226 of the Acts of 1997. No Federal funds are received and expended in this fund.

***Federally Capitalized Community Hardship Loan Program*** – is used to account for amounts received and expended under the Federal Omnibus Recissions and Appropriations Act of 1996 (Public Law 104-134,) earmarked for designated hardship communities within the Commonwealth.

Massachusetts Water Pollution Abatement Trust  
Statement of Net Assets  
June 30, 2002 (With Comparative Amounts as of June 30, 2001)  
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2002	6/30/2001
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and cash equivalents	\$ 151,880	\$ 6,970	\$ 1,361	\$ 13,905	\$ 58,531	\$ 281	\$ 15	\$ 232,943	\$ 241,524
Short - term investments	34,773	-	-	9,568	11,956	-	-	56,297	97,158
Grants receivable:									
U.S. Environmental Protection Agency	78,993	-	-	-	20,391	-	58	99,442	91,446
Commonwealth of Massachusetts	-	-	-	20,650	-	-	-	20,650	23,150
Loans receivable, current	82,824	823	-	21,423	29,572	-	3	134,645	89,871
Accrued interest receivable	39,980	1,059	83	702	4,461	1	1	46,287	45,041
Loan servicing fees receivable	-	-	1,077	-	-	-	-	1,077	1,068
Total current assets	388,450	8,852	2,521	66,248	124,911	282	77	591,341	589,258
<b>NONCURRENT ASSETS:</b>									
Loans receivable, long-term	1,486,174	27,650	-	20,062	172,779	-	24	1,706,689	1,644,786
Long-term investments	681,636	14,236	8,000	3,311	67,382	-	-	774,565	735,848
Other assets	362	-	2,279	-	-	-	-	2,641	3,570
<b>TOTAL ASSETS</b>	<b>2,556,622</b>	<b>50,738</b>	<b>12,800</b>	<b>89,621</b>	<b>365,072</b>	<b>282</b>	<b>101</b>	<b>3,075,236</b>	<b>2,973,462</b>
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES:</b>									
Accrued expenses	331	-	1	-	-	-	-	332	374
Accrued interest payable	33,378	647	-	433	3,733	-	-	38,191	36,879
Deferred revenue	-	-	-	-	-	-	-	-	1,515
Current portion of loan commitments	8,850	-	-	10,000	8,850	-	-	27,700	36,023
Current portion of long-term debt	61,494	1,999	-	942	8,615	-	-	73,050	65,935
Total current liabilities	104,053	2,646	1	11,375	21,198	-	-	139,273	140,726
<b>NONCURRENT LIABILITIES</b>									
Loan commitments	23,553	-	-	4,525	3,106	-	9	31,193	58,893
Accrued interest on capital appreciation bonds	802	-	-	49	-	-	-	851	598
Long-term debt, net	1,449,291	26,474	-	19,080	169,144	-	-	1,663,989	1,611,775
<b>TOTAL LIABILITIES</b>	<b>1,577,699</b>	<b>29,120</b>	<b>1</b>	<b>35,029</b>	<b>193,448</b>	<b>-</b>	<b>9</b>	<b>1,835,306</b>	<b>1,811,992</b>
<b>NET ASSETS</b>									
Restricted	808,314	19,849	130	26,350	171,415	-	254	1,026,312	903,256
Unrestricted	170,609	1,769	12,669	28,242	209	282	(162)	213,618	258,214
<b>TOTAL NET ASSETS</b>	<b>\$ 978,923</b>	<b>\$ 21,618</b>	<b>\$ 12,799</b>	<b>\$ 54,592</b>	<b>\$ 171,624</b>	<b>\$ 282</b>	<b>\$ 92</b>	<b>\$ 1,239,930</b>	<b>\$ 1,161,470</b>

Massachusetts Water Pollution Abatement Trust  
Combining Schedule of Revenues, Expenses and Changes in Net Assets  
June 30, 2002 (With Comparative Amounts as of June 30, 2001)  
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2002	6/30/2001
<b>OPERATING REVENUES:</b>									
Loan servicing fees	\$ -	\$ -	\$ 2,508	\$ -	\$ -	\$ -	\$ -	\$ 2,508	\$ 4,567
Loan origination fees	-	-	410	-	-	-	-	410	1,054
Interest Income	102,599	2,142	261	1,782	11,418	7	1	118,210	114,593
Total operating revenues	102,599	2,142	3,179	1,782	11,418	7	1	121,128	120,214
<b>OPERATING EXPENSES:</b>									
Commonwealth of Massachusetts - Department of Environmental Protection - programmatic support costs	4,169	-	-	140	7,459	8,012	15	19,795	14,434
General and administrative	597	-	1,077	-	-	-	-	1,674	3,780
Arbitrage rebate payments	6,117	-	-	-	-	-	-	6,117	-
Interest expense	80,896	1,585	-	1,283	8,751	-	-	92,515	83,948
Total operating expenses	91,779	1,585	1,077	1,423	16,210	8,012	15.00	120,101	102,162
<b>OPERATING INCOME (LOSS)</b>	10,820	557	2,102	359	(4,792)	(8,005)	(14)	1,027	18,052
<b>NONOPERATING INCOME:</b>									
Operating Grant Revenue:									
U.S. Environmental Protection Agency	701	-	-	-	883	-	-	1,584	2,522
Commonwealth of Massachusetts	-	-	-	-	-	8,000	-	8,000	8,000
Capitalization Grant Revenue:									
U.S. Environmental Protection Agency capitalization grants	52,263	-	-	-	5,700	-	-	57,963	72,197
Commonwealth of Massachusetts matching grants	9,886	-	-	-	-	-	-	9,886	35,464
Capitalization Grant Disbursements	-	-	-	-	-	-	-	-	(180)
Intrafund allocation of expenses	(1,036)	(366)	1,274	(1,332)	1,451	13	(4)	-	-
Total	61,814	(366.00)	1,274	(1,332)	8,034	8,013	(4)	77,433	118,003
<b>NET INCOME (LOSS)</b>	72,634	191	3,376	(973)	3,242	8	(18)	78,460	136,055
<b>NET ASSETS, BEGINNING OF YEAR</b>	906,291	21,427	9,421	55,566	168,381	274	110	1,161,470	1,025,415
<b>NET ASSETS, END OF YEAR</b>	\$ 978,925	\$ 21,618	\$ 12,797	\$ 54,593	\$ 171,623	\$ 282	\$ 92	\$ 1,239,930	\$ 1,161,470

Massachusetts Water Pollution Abatement Trust  
Combining Schedule of Cash Flow:  
June 30, 2002 (With Comparative Amounts as of June 30, 2001)  
(in thousands)

	Federally Capitalized State Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized State Revolving Fund Loan Program	Program for General Operations	Community Septic System Loan Program	Federally Capitalized Safe Drinking Water Revolving Fund Loan Program	Commonwealth of Massachusetts Capitalized Safe Drinking Water Revolving Fund Loan Program	Federally Capitalized Community Hardship Loan Program	Combined Totals	
								6/30/2002	6/30/2001
<b>Cash flows from operating activities:</b>									
Cash received from customers	\$ -	\$ -	\$ 2,909	\$ -	\$ -	\$ -	\$ -	2,909	5,342
Cash received from borrowers	66,524	782	-	16,246	6,315	-	4	89,871	127,438
Interest received	100,521	3,252	197	1,697	11,288	8	1	116,964	106,368
Loans disbursed to recipients	(143,849)	-	(2,278)	(25,369)	(61,659)	-	(2)	(233,157)	(407,158)
Cash paid to suppliers	(10,287)	-	(1,117)	(140)	(7,459)	(8,012)	(16)	(27,031)	(18,202)
Interest paid	(79,909)	(1,625)	-	(1,079)	(8,337)	-	-	(90,950)	(77,587)
<b>Net cash used for operating activities</b>	<b>(67,000)</b>	<b>2,409</b>	<b>(289)</b>	<b>(8,645)</b>	<b>(59,852)</b>	<b>(8,004)</b>	<b>(13)</b>	<b>(141,394)</b>	<b>(263,799)</b>
<b>Cash flows from capital and related financing activities:</b>									
Proceeds from U.S. EPA capitalization grants	28,682	-	-	-	21,269	-	16	49,967	82,492
Proceeds from Commonwealth matching capitalization grants	9,886	-	-	2,500	-	-	-	12,386	12,314
Disbursements from capitalization grants	-	-	-	-	-	-	-	-	(180)
<b>Net cash used by capital and related financing activities</b>	<b>38,568</b>	<b>-</b>	<b>-</b>	<b>2,500</b>	<b>21,269</b>	<b>-</b>	<b>16</b>	<b>62,353</b>	<b>94,626</b>
<b>Cash flows from noncapital financing activities</b>									
Bonds proceeds	289,541	-	-	4,414	27,850	-	-	321,805	341,430
Repayment of bonds	(253,464)	(1,901)	-	(405)	(7,320)	-	-	(263,090)	(60,456)
Cash provided for operating assistance from U.S. EPA	701	-	-	-	883	-	-	1,584	2,522
Cash provided for operating assistance from Commonwealth of Massachusetts	-	-	-	-	-	8,000	-	8,000	8,000
<b>Net cash provided by noncapital financing activities</b>	<b>36,778</b>	<b>(1,901)</b>	<b>-</b>	<b>4,009</b>	<b>21,413</b>	<b>8,000</b>	<b>-</b>	<b>68,299</b>	<b>291,496</b>
<b>Cash flows from investing activities:</b>									
Purchases of investments	(1,302,030)	(14,802)	(22,113)	(27,403)	(154,824)	(14)	(15,085)	(1,536,271)	(1,673,759)
Proceeds from sales of investments	1,307,907	15,387	15,387	30,774	153,871	26	15,080	1,538,432	1,567,240
<b>Net cash provided (used) by noncapital financing activities</b>	<b>5,877</b>	<b>585</b>	<b>(6,726)</b>	<b>3,371</b>	<b>(953)</b>	<b>12</b>	<b>(5)</b>	<b>2,161</b>	<b>(106,519)</b>
<b>Net change in cash and cash equivalents</b>	<b>14,223</b>	<b>1,093</b>	<b>(7,015)</b>	<b>1,235</b>	<b>(18,123)</b>	<b>8</b>	<b>(2)</b>	<b>(8,581)</b>	<b>15,804</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>137,657</b>	<b>5,877</b>	<b>8,376</b>	<b>12,670</b>	<b>76,654</b>	<b>273</b>	<b>17</b>	<b>241,524</b>	<b>225,720</b>
<b>Cash and cash equivalents, end of year</b>	<b>151,880</b>	<b>6,970</b>	<b>1,361</b>	<b>13,905</b>	<b>58,531</b>	<b>281</b>	<b>15</b>	<b>232,943</b>	<b>241,524</b>
<b>Reconciliation of operating (loss) to net cash (used) by operating activities:</b>									
Operating income	10,820	557	2,104	358	(4,792)	(8,005)	(15)	1,027	18,052
<i>Adjustments to reconcile operating income to net cash used for operating activities:</i>									
Amortization	597	-	-	-	-	-	-	597	-
<i>Changes in operating assets and liabilities:</i>									
Loans receivable	(50,240)	1,901	-	(13,647)	(44,695)	-	4	(106,677)	(272,450)
Accrued interest receivable	(959)	(10)	(64)	(85)	(130)	1	1	(1,246)	(8,225)
Loan servicing fees receivable	-	-	(9)	-	-	-	-	(9)	(279)
Other assets	1,692	-	(2,278)	632	883	-	-	929	(2,153)
Accrued expenses	-	(39)	(42)	-	-	-	-	(42)	12
Accrued interest payable	985	-	-	204	415	-	-	1,565	6,604
Deferred revenue	-	-	-	(632)	(883)	-	-	(1,515)	98
Loan commitments	(29,895)	-	-	4,525	(10,650)	-	(3)	(36,023)	(5,458)
<b>Net cash used for operating activities</b>	<b>\$ (67,000)</b>	<b>\$ 2,409</b>	<b>\$ (289)</b>	<b>\$ (8,645)</b>	<b>\$ (59,852)</b>	<b>\$ (8,004)</b>	<b>\$ (13)</b>	<b>\$ (141,394)</b>	<b>\$ (263,799)</b>

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**  
**JUNE 30, 2002**  
**UNAUDITED**  
(Amounts in thousands)

<b>Local Government Unit</b>	<b>Number of Loans</b>	<b>Grant Equivalency % (3)</b>	<b>Original Loan Amount</b>
Abington	4	50%	\$ 6,224
Acton (See Note 10)	4	50%	28,525
Acushnet	1	See Note (4)	98
Agawam (See Note 11)	5	35%-50%	3,593
Amesbury (See Note 11)	4	50%	1,562
Amherst	1	See Note (4)	100
Ashburnham (See Note 12)	3	50%	9,104
Ashfield (See Note 9)	1	50%	653
Ashland (See Note 9)	2	50%	11,379
Athol (See Note 12)	4	50%	2,525
Attleboro (See Note 11)	11	50%	20,340
Avon	1	See Note (4)	933
Ayer	2	See Note (4)	318
Barnstable	11	45%-90%	18,305
Barre	1	See Note (4)	155
Belchertown	5	45%-50%	11,187
Bellingham (See Note 11)	2	50%	786
Belmont	1	See Note (4)	60
Berlin	1	See Note (4)	135
Bernardston	1	See Note (4)	115
Billerica	1	25%	3,927
Blackstone	1	See Note (4)	80
Boston (City of)	4	50%	13,389
Boston Water & Sewer Commission	10	25%-90%	31,660
Bourne	3	25%-90%	1,486
Boxford	1	See Note (4)	296
Boylston	1	See Note (4)	165
Brewster	1	See Note (4)	200
Bridgewater (See Note 11)	2	25%	396
Brockton	6	50%-75%	5,546
Brookfield	1	See Note (4)	200
Buckland	1	50%	914
Burlington	1	See Note (4)	50
Cambridge (See Note 9)	11	50%-75%	59,711
Carver	1	50%	200
Charles River Pollution Control District (See Note 6)	6	50%-75%	14,861
Charlton	2	50%	15,163
Chatham	1	50%	442
Chelmsford	6	25%-50%	28,728
Chesterfield	3	See Note (4)	396
Chicopee	2	See Note (4)	5,621
Clarksburg	1	50%	439
Clinton	1	50%	9,355
Cohasset	14	50%-75%	21,976
Colrain	2	50%	118
Concord	1	See Note (4)	163
Conway	1	See Note (4)	44
Cool Sandy Beach (See Note 8)	1	50%	165
Dartmouth (See Note 10)	10	50%	15,919
Dedham (See Note 9)	4	50%	3,843
Dennis	1	See Note (4)	346
Dighton	1	See Note (4)	135
Dover	1	See Note (4)	200
Dracut (See Note 11)	5	50%	10,029
Dracut Water Supply District	1	50%	937
Dudley (See Note 9)	3	50%	885
Duxbury (See Note 11)	2	50%	846
East Bridgewater (See Note 11)	3	50%	1,760
Eastham	1	50%	1,461
Easthampton	1	50%	1,600
Easton	1	See Note (4)	138
Egremont	1	See Note (4)	115
Essex	1	See Note (4)	202
Fairhaven (See Note 11)	2	50%	618
Fall River (See Note 10)	4	25%-50%	20,014
Falmouth (See Note 10)	3	50%	3,784

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**  
**JUNE 30, 2002**  
**UNAUDITED**  
(Amounts in thousands)

<b>Local Government Unit</b>	<b>Number of Loans</b>	<b>Grant Equivalency % (3)</b>	<b>Original Loan Amount</b>
Fitchburg ( See Note 9)	3	50%	20,840
Foxborough (See Note 11)	4	50%	2,259
Framingham	1	25%	412
Franklin	1	See Note (4)	33
Gardner (See Note 9)	1	50%	9,978
Georgetown ( See Note 9)	2	50%	2,642
Gill	1	See Note (4)	43
Gloucester (See Note 11)	10	25%-50%	31,745
Grafton	1	See Note (4)	80
Granby	2	45%-75%	774
Great Barrington	2	50%	340
Greater Lawrence Sanitary District	2	50%	743
Greenfield (See Note 11)	3	25%-50%	9,207
Groton	1	See Note (4)	100
Halifax	1	See Note (4)	89
Hanover	1	See Note (4)	196
Hardwick	1	See Note (4)	33
Harwich	1	See Note (4)	200
Hatfield ( See Note 11)	2	50%	1,391
Haverhill	5	50%-75%	5,223
Hingham (See Note 11)	3	25%-50%	3,665
Hinsdale (See Note 10)	2	50%	2,830
Holbrook (See Note 11)	2	25%	2,714
Holden (See Note 9)	2	50%	2,455
Holland	1	50%	185
Holliston	2	50%	367
Hoosac Water Quality District (See Note 7)	1	50%	1,808
Hopkinton (See Note 11)	3	25%-50%	9,652
Hubbardston	1	See Note (4)	15
Hudson (See Note 11)	3	50%	1,607
Hull	3	50%-75%	3,476
Ipswich	1	50%	1,863
Kingston (See Note 10,11)	10	50%	32,048
Lakeville	1	50%	250
Lancaster	1	See Note (4)	100
Lanesborough Village Fire & Water District	1	50%	3,610
Lawrence	3	50%	11,380
Lee	1	50%	196
Leicester	1	See Note (4)	191
Lenox	1	50%	3,106
Leominster (See Note 9)	6	50%	10,965
Lexington	2	35%	3,207
Leydon	1	See Note (4)	15
Littleton	1	50%	300
Longmeadow	1	See Note (4)	23
Lowell	1	50%	10,283
Ludlow	1	25%	2,507
Lunenburg (See Note 11)	4	50%	2,962
Lynn Water & Sewer Commission (See Note 10)	19	25%-50%	43,538
Lynnfield	1	See Note (4)	182
Manchester by the Sea	3	50%	8,131
Mansfield	1	50%	674
Marlborough	2	50%	2,669
Marshfield	2	50%-90%	2,876
MA Development Finance Authority	1	50%	17,316
Massachusetts Water Resources Authority (See Note 1,9,10)	48	35%-75%	649,540
Mashpee	4	50%	1,587
Mattapoisett	1	50%	1,502
Maynard (See Note 11)	3	50%	912
Medfield (See Note 11)	1	50%	664
Medway	1	See Note (4)	120
Melrose	3	25%-50%	758
Mendon	1	50%	200
Merrimac (See Note 11)	2	50%	350
Methuen	2	45%-50%	1,354
Middleborough	1	50%	400

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**  
**JUNE 30, 2002**  
**UNAUDITED**  
(Amounts in thousands)

<b>Local Government Unit</b>	<b>Number of Loans</b>	<b>Grant Equivalency % (3)</b>	<b>Original Loan Amount</b>
Millbury	4	25%-50%	6,642
Millville	1	See Note (4)	200
Milton	1	50%	615
Montague	2	45%-50%	1,282
Monterey	1	See Note (4)	94
Nahant	1	25%	112
Nantucket	5	25%	1,785
Natick	1	See Note (4)	146
Needham (See Note 11)	6	25%-50%	2,862
New Bedford (See Note 10)	4	50%-65%	168,542
Newburyport	2	50%	724
Newton	5	50%	16,854
North Adams	2	50%	2,749
North Andover	11	25%-50%	8,584
North Attleborough (See Note 9)	8	25%-50%	8,918
North Brookfield	2	50%	8,798
North Reading	1	See Note (4)	196
Northampton	1	See Note (4)	94
Northborough (See Note 11)	3	50%	1,500
Northbridge (See Note 11)	5	50%	9,348
Norton	1	50%	400
Norwood	2	50%	1,126
Oak Bluffs	2	50%	16,843
Orange (See Note 11)	2	50%	310
Paxton	1	See Note (4)	200
Pembroke	2	50%	411
Phillipston	1	See Note (4)	148
Plymouth (See Note 12)	10	25%-75%	35,080
Plympton	1	See Note (4)	65
Provincetown (See Note 11)	2	50%	688
Quincy	7	45%-75%	7,449
Randolph	1	50%	620
Raynham (See Note 11)	5	50%	12,347
Reading	1	See Note (4)	50
Revere	1	25%	844
Rowley	1	See Note (4)	75
Roylston	1	See Note (4)	66
Russell	1	90%	2,420
Salisbury	2	50%	2,403
Sandwich	1	See Note (4)	200
Saugus (See Note 11)	3	50%	742
Scituate (See Note 11)	6	50%	16,629
Seekonk (See Note 9)	2	50%	6,084
Sharon	1	See Note (4)	396
Shirley	4	50%	15,332
Shrewsbury (See Note 11)	2	See Note (4)	726
Shutesbury	1	See Note (4)	200
South Deerfield (See Note 9)	1	50%	4,249
South Essex Sewerage District (See Note 2)	14	45%-65%	180,960
South Hadley	4	45%-75%	3,511
Southampton (See Note 9)	4	50%	1,807
Southborough	1	50%	700
Southbridge (See Note 12)	3	50%	7,992
Southwick	1	See Note (4)	20
Spencer	1	See Note (4)	200
Springfield	2	25%-50%	5,263
Springfield Water Sewer Commission	3	25%-50%	6,536
Sterling	1	50%	495
Stoughton	1	See Note (4)	200
Sturbridge	3	50%	7,142
Sunderland	1	See Note (4)	97
Sutton (See Note 11)	3	50%	932
Swampscott	7	25%-45%	14,750
Taunton (See Note 11)	7	25%-50%	13,804
Templeton (See Note 11)	3	50%	3,360
Tewksbury	1	50%	4,596

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**SUPPLEMENTAL SCHEDULE OF LOANS BY COMMUNITY**  
**JUNE 30, 2002**  
**UNAUDITED**  
(Amounts in thousands)

Local Government Unit	Number of Loans	Grant Equivalency % (3)	Original Loan Amount
Tisbury	2	50%	693
Townsend	1	See Note (4)	196
Truro	1	See Note (4)	150
Tyngsborough	3	50%	3,870
Upper Blackstone WPAD (See Note 5)	6	50%	15,877
Upton	1	50%	5,015
Wakefield	1	See Note (4)	105
Walpole (See Note 11)	3	50%	2,685
Waltham	1	25%	250
Ware	2	50%	907
Wareham	5	50%-90%	11,366
Wayland	2	See Note (9)	892
Webster (See Note 11)	5	25%-50%	10,464
West Boylston (See Note 11)	2	See Note (4)	3,697
West Newbury	1	See Note (4)	200
West Stockbridge (See Note 9)	1	50%	902
Westborough	4	50%	3,601
Westfield	1	50%	699
Westford	2	See Note (4)	2,304
Westwood	4	25%-50%	6,873
Weymouth	3	50%	934
Whitman (See Note 9)	2	50%	2,116
Wilmington	1	See Note (4)	110
Winchendon (See Note 9)	2	50%	4,264
Winchester	1	See Note (4)	72
Windbrook Acres (See Note 8)	1	See Note (8)	475
Woburn	1	50%	5,046
Wrentham	1	See Note (4)	114
Yarmouth (See Note 11)	4	45%-90%	26,581
Unallocated Title 5		50%	4,414
<b>Subtotal</b>	<b>652</b>		<b>2,058,886</b>
<b>Plus Unallocated Accretion in Capital Appreciation Bonds</b>			<b>597</b>
<b>Total</b>			<b>\$ 2,059,483</b>

- (1) The MWRA is comprised of over 60 cities, towns and special - purpose entities throughout Massachusetts.  
These communities are as follows:

Arlington	Dedham	Marlborough	Randolph	Waltham
Ashland	Everett	Medford	Reading	Watertown
Bedford	Framingham	Melrose	Revere	Wellesley
Belmont	Hingham	Milton	Saugus	Weston
Boston	Holbrook	Nahant	Somerville	Westwood
Braintree	Lancaster	Natick	South Hadley	Weymouth
Brookline	Leominster	Needham	Southborough	Wilbraham
Burlington	Lexington	Newton	Stoneham	Wilmington
Cambridge	Lynn	Northborough	Stoughton	Winchester
Canton	Lynnfield	Norwood	Swampscott	Winthrop
Chelsea	Malden	Peabody	Wakefield	Woburn
Chicopee	Marblehead	Quincy	Walpole	Worcester
Clinton				

- (2) The South Essex Sewerage District serves six cities and towns in Essex County, Massachusetts, including:

Beverly	Danvers	Marblehead
Middleton	Peabody	Salem

- (3) Grant equivalency refers to the financial equivalent of a grant subsidized by the Commonwealth of the amount in excess of 25% of the eligible project costs. A range is quoted in the case of multiple loans.  
NOTE: Title 5 Loans are zero interest loans, deemed to be a 50% grant equivalency.



(4) Exclusively Title 5 Disbursements

(5) The Upper Blackstone Water Pollution Abatement District serves eleven cities and town in Worcester County, Massachusetts, including:

Auburn	Boylston	Holden
Leicester	Millbury	Oxford
Paxton	Rutland	Shrewsbury
West Boylston	Worcester	

(6) The Charles River Pollution Control District serves five towns, in Norfolk County, Massachusetts including:

Bellingham	Franklin	Medway	Millis	Norfolk
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(7) The Hoosac Water Quality District serves three towns, in Berkshire County, Massachusetts, including:

Clarksburg	North Adams	Williamstown
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(8) Cool Sandy Beach and Windbrook Acres are privately-owned small drinking water delivery systems located in Central Massachusetts.

(9) Loan obligation consists of monies from both the Clean Water program AND the Safe Drinking Water program.

(10) Community has opted for extended, 30 year financing.

(11) Loan obligation consists of monies from both the Clean Water program AND the Title 5 Program.

(12) Loan obligation consists of monies from the Clean Water, Safe Drinking Water, and the Title 5 Programs.

Massachusetts Water Pollution Abatement Trust  
Fiscal Year Ended June 30, 2002

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL SECTION \*

**\* Only the schedules that are applicable to the Trust activities are included.**

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**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**TEN YEAR COMBINED SCHEDULE OF REVENUES AND EXPENSES BY CHARACTER**  
**FOR FISCAL YEARS ENDING JUNE 30, 1993 THROUGH JUNE 30, 2002**  
(Amounts In Thousands)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
<b>REVENUES - Operating Revenue</b>										
Loan Servicing Fees	\$ 2,508	\$ 4,567	\$ 1,855	\$ 1,520	\$ 1,270	\$ 1,076	\$ 905	\$ 735	\$ 522	\$ 182
Loan Origination Fees	410	1,054	1,289	2,207	121	66	66	83	54	15
Interest Income	<u>118,210</u>	<u>114,593</u>	<u>91,250</u>	<u>76,742</u>	<u>65,300</u>	<u>59,989</u>	<u>37,430</u>	<u>29,583</u>	<u>19,102</u>	<u>3,639</u>
<b>Total Operating Revenue</b>	<b>\$ 121,128</b>	<b>\$ 120,214</b>	<b>\$ 94,394</b>	<b>\$ 80,469</b>	<b>\$ 66,691</b>	<b>\$ 61,131</b>	<b>\$ 38,401</b>	<b>\$ 30,401</b>	<b>\$ 19,678</b>	<b>\$ 3,836</b>
<b>EXPENSES - Operating Expenses:</b>										
Commonwealth of Massachusetts- Department of Environmental Protection -										
Programmatic Support Costs	\$ 19,795	\$ 14,434	\$ 14,812	\$ 16,084	\$ 13,474	\$ 7,989	\$ 5,223	\$ 5,567	\$ 5,260	\$ 3,889
General and administrative	1,674	3,780	3,856	1,820	535	552	551	531	421	348
Arbitrage rebate payments	6,117									
Depreciation -	-									
Administrative Assets	-	-	-	32	8	5	7	5	3	1
Assets Acquired with Contributed Capital	-	-	-	-	-	112	224	224	224	224
Interest Expense	<u>92,515</u>	<u>83,948</u>	<u>64,583</u>	<u>51,581</u>	<u>44,578</u>	<u>39,681</u>	<u>25,406</u>	<u>19,614</u>	<u>14,230</u>	<u>1,960</u>
<b>Total Operating Expenses</b>	<b>\$ 120,101</b>	<b>\$ 102,162</b>	<b>\$ 83,251</b>	<b>\$ 69,517</b>	<b>\$ 58,595</b>	<b>\$ 48,339</b>	<b>\$ 31,411</b>	<b>\$ 25,941</b>	<b>\$ 20,138</b>	<b>\$ 6,422</b>
<b>Income (Loss) Before Operating Transfers</b>	<b><u>\$ 1,027</u></b>	<b><u>\$ 18,052</u></b>	<b><u>\$ 11,143</u></b>	<b><u>\$ 10,952</u></b>	<b><u>\$ 8,096</u></b>	<b><u>\$ 12,792</u></b>	<b><u>\$ 6,990</u></b>	<b><u>\$ 4,460</u></b>	<b><u>\$ (460)</u></b>	<b><u>\$ (2,586)</u></b>
<b>OPERATING - Grant Revenue:</b>										
U.S. Environmental Protection Agency	\$ 1,584	\$ 2,522	\$ 3,846	\$ 6,197	\$ 11,111	\$ 2,228	\$ 2,153	\$ 2,165	\$ 2,278	\$ 2,114
Commonwealth of Massachusetts	8,000	8,000	8,144	9,801	2,267	5,677	2,990	3,392	2,982	1,774
<b>CAPITALIZATION - Grant Revenue:</b>										
U.S. Environmental Protection Agency	57,963	72,197	140,430							
Commonwealth of Massachusetts	9,886	35,464	10,854							
Capitalization Disbursements	<u>-</u>	<u>(180)</u>	<u>-</u>							
<b>Total Operating Transfers</b>	<b>\$ 77,433</b>	<b>\$ 118,003</b>	<b>\$ 163,274</b>	<b>\$ 15,998</b>	<b>\$ 13,378</b>	<b>\$ 7,905</b>	<b>\$ 5,143</b>	<b>\$ 5,557</b>	<b>\$ 5,260</b>	<b>\$ 3,888</b>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 78,460</u></b>	<b><u>\$ 136,055</u></b>	<b><u>\$ 174,417</u></b>	<b><u>\$ 26,950</u></b>	<b><u>\$ 21,474</u></b>	<b><u>\$ 20,697</u></b>	<b><u>\$ 12,133</u></b>	<b><u>\$ 10,017</u></b>	<b><u>\$ 4,800</u></b>	<b><u>\$ 1,302</u></b>

NOTE: For comparison purposes. FY2000 and FY2001 information reflects the implementation of GASB 33 which requires the inclusion of Contributed Capital in Net Income.

**MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST**  
**SCHEDULE OF LARGEST BORROWERS (GREATER THAN \$10 MILLION) BY FISCAL YEAR**  
**FOR FISCAL YEARS ENDING JUNE 30 1997 THROUGH JUNE 30, 2002**

LOCAL GOVERNMENT UNIT	June 30, 2002		June 30, 2001		June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997	
	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS	ORIGINAL LOAN AMOUNT	% OF TOTAL LOANS
Massachusetts Water Resources Authority	649,540	26.91%	644,225	46.92%	467,898	35.29%	445,145	42.44%	370,145	41.97%	320,145	36.30%
South Essex Sewerage District	180,960	7.50%	180,960	13.18%	170,989	12.90%	169,780	16.19%	169,780	19.25%	169,780	19.25%
New Bedford	168,542	6.98%	168,542	12.28%	162,865	12.28%	162,865	15.53%	150,810	17.10%	150,810	17.10%
Cambridge	59,711	2.47%	59,711	4.35%	20,622	1.56%	17,883	1.70%	17,883	2.03%	17,883	2.03%
Lynn Water & Sewer Commission	43,538	1.80%	43,538	3.17%	38,079	2.87%	22,266	2.12%	16,772	1.90%	16,772	1.90%
Plymouth	35,080	1.45%	24,348	1.77%	6,954	0.52%	6,954	0.66%	-	-	-	-
Kingston	32,048	1.33%	25,105	1.83%	12,165	0.92%	-	-	-	-	-	-
Gloucester	31,745	1.31%	31,745	2.31%	11,480	0.87%	13,061	1.25%	13,005	1.47%	13,005	1.47%
Boston Water & Sewer Commission	31,660	1.31%	31,660	2.31%	26,216	1.98%	31,788	3.03%	32,336	3.67%	32,336	3.67%
Chelmsford	28,728	1.19%	28,728	2.09%	25,045	1.89%	21,139	2.02%	14,399	1.63%	10,787	1.22%
Acton	28,525	1.18%	15,866	1.16%	-	-	-	-	-	-	-	-
Yarmouth	26,581	1.10%	26,581	1.94%	20,861	1.57%	26,381	2.52%	24,929	2.83%	21,244	2.41%
Cohasset	21,976	0.91%	21,976	1.60%	7,812	0.59%	-	-	-	-	-	-
Fitchburg	20,840	0.86%	20,840	1.52%	-	-	-	-	-	-	-	-
Attleboro	20,340	0.84%	20,340	1.48%	14,731	1.11%	15,365	1.46%	11,562	1.31%	10,562	1.20%
Fall River	20,014	0.83%	20,014	1.46%	18,507	1.40%	14,938	1.42%	7,575	0.86%	6,856	0.78%
Barnstable	18,305	0.76%	18,305	1.33%	15,790	1.19%	15,236	1.45%	14,119	1.60%	7,426	0.84%
MA Development Finance Authority	17,316	0.72%	12,657	0.92%	-	-	-	-	-	-	-	-
Newton	16,854	0.70%	16,854	1.23%	15,270	1.15%	-	-	-	-	-	-
Oak Bluffs	16,843	0.70%	16,843	1.23%	-	-	-	-	-	-	-	-
Scituate	16,629	0.69%	16,629	1.21%	11,938	0.90%	-	-	-	-	-	-
Dartmouth	15,919	0.66%	15,919	1.16%	15,270	1.15%	10,506	1.00%	-	-	-	-
Upper Blackstone WPAD	15,877	0.66%	15,385	1.12%	13,620	1.03%	14,307	1.36%	14,307	1.62%	14,307	1.62%
Shirley	15,332	0.64%	14,652	1.07%	-	-	-	-	-	-	-	-
Charlton	15,163	0.63%	15,163	1.10%	-	-	-	-	-	-	-	-
Charles River Pollution Control District	14,861	0.62%	14,861	1.08%	14,162	1.07%	7,765	0.74%	-	-	-	-
Swampscott	14,750	0.61%	14,750	1.07%	11,200	0.84%	14,750	1.41%	14,750	1.67%	14,750	1.67%
Taunton	13,804	0.57%	13,213	0.96%	-	-	-	-	-	-	-	-
Boston (City of)	13,389	0.55%	13,389	0.98%	12,860	0.97%	-	-	-	-	-	-
Raynham	12,347	0.51%	12,347	0.90%	11,030	0.83%	12,342	1.18%	6,400	0.73%	6,350	0.72%
Lawrence	11,380	0.47%	11,380	0.83%	-	-	-	-	-	-	-	-
Ashland	11,379	0.47%	11,379	0.83%	-	-	-	-	-	-	-	-
Wareham	11,366	0.47%	11,366	0.83%	8,609	0.65%	12,848	1.22%	10,885	1.23%	10,764	1.22%
Belchertown	11,187	0.46%	11,187	0.81%	10,212	0.77%	8,701	0.83%	-	-	-	-
Leominster	10,965	0.45%	10,965	0.80%	10,481	0.79%	-	-	-	-	-	-
Webster	10,464	0.43%	10,464	0.76%	9,336	0.70%	7,683	0.73%	6,463	0.73%	5,437	0.62%
Lowell	10,283	0.43%	10,283	0.75%	-	-	-	-	-	-	-	-
Dracut	10,029	0.42%	10,029	0.73%	9,819	0.74%	7,921	0.76%	-	-	-	-
total all others	<u>709,829</u>	29.40%	<u>314,464</u>	22.90%	<u>199,179</u>	15.02%	<u>266,130</u>	25.37%	<u>152,784</u>	17.32%	<u>52,787</u>	5.98%
<b>TOTALS AS OF END OF FISCAL YEAR</b>	<u><b>2,414,099</b></u>		<u><b>\$ 1,976,663</b></u>		<u><b>\$ 1,373,000</b></u>		<u><b>\$ 1,325,754</b></u>		<u><b>\$ 1,048,904</b></u>		<u><b>\$ 882,001</b></u>	

Note: Some Entities had loans during previous fiscal years, but their amounts were included in "Other Loans."

\*\*\* For FY 1997,through 2001 "Other Loans" includes approximately \$10 million of unallocated proceeds to fund Title 5 Community Septic System Loans. These loans were identified on 4/29/99. For FY 1999, "Other Loans" includes \$4,892 of unallocated proceeds to fund Title 5.

MASSACHUSETTS WATER ABATEMENT TRUST  
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR  
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2002

LOCAL GOVERNMENT UNIT	Trust Loans Outstanding as of June 30, 2002			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Permanent / Interim			POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State
	Clean Water	Drinking Water	Title 5										
ABINGTON	4,704,991	0	0	14,605	0.23%	14,876	0.24%	14,683	0.24%	14,467	0.24%	-	-
ACTON	23,869,759	0	0	20,331	0.32%	19,206	0.31%	18,851	0.31%	18,371	0.30%	-	-
ACUSHNET	0	0	92,402	10,161	0.16%	10,111	0.16%	9,843	0.16%	9,904	0.16%	-	-
AGAWAM	2,478,525	0	46,201	28,144	0.44%	26,738	0.43%	26,721	0.44%	-	0.00%	-	0.00%
AMESBURY	1,245,008	0	43,341	16,450	0.26%	16,076	0.26%	15,784	0.26%	15,980	0.26%	15,980	0.26%
AMHERST	0	0	94,734	34,874	0.55%	35,252	0.57%	35,468	0.58%	35,480	0.59%	-	-
ASHBURNHAM	5,180,000	2,493,873	228,796	5,546	0.09%	5,577	0.09%	5,471	0.09%	-	0.00%	5,756	0.10%
ASHFIELD	0	602,490	0	1,800	0.03%	1,726	0.03%	-	0.00%	-	0.00%	-	0.00%
ASHLAND	1,425,150	9,319,315	50,000	*	*	*	*	*	*	*	*	*	*
ATHOL	237,316	1,976,483	142,110	11,299	0.18%	11,161	0.18%	11,158	0.18%	11,678	0.19%	-	-
ATTLEBORO	17,274,192	0	103,068	42,068	0.66%	39,557	0.64%	39,070	0.64%	38,863	0.64%	38,863	0.64%
AVON	0	677,463	200,000	4,443	0.07%	4,618	0.08%	4,611	0.08%	-	-	-	-
AYER	246,118	0	75,000	7,287	0.11%	7,515	0.12%	7,378	0.12%	7,107	0.12%	-	-
BARNSTABLE	13,281,585	0	500,000	47,821	0.75%	45,187	0.74%	43,699	0.72%	-	0.00%	-	0.00%
BARRE	0	0	155,000	5,113	0.08%	4,901	0.08%	4,805	0.08%	4,813	0.08%	-	-
BELCHERTOWN	9,768,105	0	75,000	12,968	0.20%	11,946	0.19%	11,756	0.19%	-	0.00%	-	0.00%
BELLINGHAM	576,626	0	319,468	****	****	****	****	****	****	****	****	-	-
BELMONT	0	0	56,988	*	*	*	*	*	*	*	*	*	*
BERLIN	0	0	184,873	2,380	0.04%	2,400	0.04%	2,332	0.04%	-	-	-	-
BERNARDSTON	0	0	115,296	2,155	0.03%	2,087	0.03%	2,091	0.03%	2,016	0.03%	-	-
BILLERICA	2,730,457	0	0	38,981	0.61%	39,594	0.64%	38,861	0.64%	-	0.00%	-	0.00%
BLACKSTONE	0	0	75,402	8,804	0.14%	8,386	0.14%	8,270	0.14%	8,468	0.14%	-	-
BOSTON (City of)	12,317,376	0	0	*	*	*	*	*	*	*	*	*	*
BOSTON WATER & SEWER COMM.	23,828,804	0	0	*	*	*	*	*	*	*	*	*	*
BOURNE	885,538	0	350,000	18,721	0.29%	18,007	0.29%	17,529	0.29%	-	0.00%	-	0.00%
BOXFORD	0	0	384,804	7,921	0.12%	9,041	0.15%	8,550	0.14%	7,112	0.12%	-	-
BOYLSTON	0	0	156,780	***	***	***	***	***	***	***	***	-	-
BREWSTER	0	0	200,000	10,094	0.16%	9,637	0.16%	-	-	-	-	-	-
BRIDGEWATER	151,543	0	184,804	25,185	0.40%	24,536	0.40%	23,692	0.39%	-	0.00%	-	0.00%
BROCKTON	4,618,746	0	0	94,304	1.49%	93,173	1.52%	92,324	1.52%	-	0.00%	-	0.00%
BROOKFIELD	0	0	200,000	3,051	0.05%	2,940	0.05%	2,915	0.05%	-	-	-	-
BUCKLAND	799,100	0	0	1,991	0.03%	1,929	0.03%	-	-	-	-	-	-
BURLINGTON	0	0	50,000	*	*	*	*	*	*	*	*	*	*
CAMBRIDGE	21,514,192	21,355,609	0	*	*	*	*	*	*	*	*	*	*
CANTON	0	0	0	*	*	*	*	*	*	*	*	*	*
CARVER	0	0	166,506	11,163	0.18%	11,647	0.19%	11,289	0.19%	-	-	-	-
CHARLES RIVER POLLUTION CONTROL DIST.****	12,287,519	0	0	75,684	1.19%	74,618	1.21%	71,953	1.18%	-	-	-	-
CHARLTON	14,420,848	0	0	11,263	0.18%	10,345	0.17%	-	0.00%	-	-	-	-
CHATHAM	206,246	0	200,000	6,625	0.10%	7,098	0.12%	6,930	0.11%	6,269	0.10%	-	-
CHELMSFORD	22,693,385	0	0	33,858	0.53%	33,776	0.55%	33,484	0.55%	-	0.00%	-	0.00%
CHESTERFIELD	0	0	449,804	1,201	0.02%	1,125	0.02%	1,121	0.02%	-	-	-	-
CHICOPEE	5,542,987	0	0	*	*	54,049	0.88%	-	0.00%	-	-	-	-
CLARKSBURG	384,100	0	0	*****	*****	*****	*****	*****	*****	*****	*****	-	-
CLINTON	0	9,275,040	0	13,435	0.21%	-	-	-	-	-	-	-	-
COHASSET	20,578,989	0	0	7,261	0.11%	7,094	0.12%	7,070	0.12%	-	-	-	-
COLRAIN	27,555	0	79,115	1,813	0.03%	1,834	0.03%	-	-	-	-	-	-
CONCORD	0	0	200,000	16,993	0.27%	17,867	0.29%	17,792	0.29%	17,563	0.29%	-	-
CONWAY	0	0	43,680	1,809	0.03%	1,653	0.03%	1,644	0.03%	-	-	-	-
DARTMOUTH	14,093,066	0	400,000	30,666	0.48%	28,503	0.46%	28,100	0.46%	27,868	0.46%	-	-
DEDHAM	3,105,714	0	314,376	*	*	*	*	*	*	*	*	*	*
DENNIS	0	0	434,804	15,973	0.25%	14,693	0.24%	14,423	0.24%	-	-	-	-
DIGHTON	0	0	127,890	6,175	0.10%	5,937	0.10%	5,871	0.10%	5,761	0.10%	-	-
DOVER	0	0	200,000	5,558	0.09%	5,481	0.09%	5,383	0.09%	5,500	0.09%	-	-
DRACUT	8,821,171	902,335	27,721	28,562	0.45%	28,136	0.46%	27,769	0.46%	27,576	0.46%	-	-
DUDLEY	142,926	611,055	63,562	10,036	0.16%	9,802	0.16%	9,676	0.16%	9,554	0.16%	-	-
DUXBURY	517,122	0	284,804	14,248	0.22%	15,353	0.25%	15,007	0.25%	14,556	0.24%	-	-
EAST BRIDGEWATER	1,067,374	0	966,506	12,974	0.20%	12,584	0.20%	12,133	0.20%	12,005	0.20%	-	-
EASTHAM	1,022,471	0	200,000	5,453	0.09%	5,033	0.08%	4,855	0.08%	-	-	-	-
EASTHAMPTON	1,272,914	0	0	15,994	0.25%	15,627	0.25%	15,744	0.26%	15,512	0.26%	-	-
EASTON	0	0	137,657	22,299	0.35%	21,311	0.35%	20,970	0.34%	-	-	-	-
EGREMONT	0	0	115,000	1,345	0.02%	1,226	0.02%	-	0.00%	-	-	-	-
ESSEX	0	0	196,984	3,267	0.05%	3,407	0.06%	3,368	0.06%	-	0.00%	-	-
FAIRHAVEN	281,313	0	334,804	16,159	0.25%	15,937	0.26%	15,975	0.26%	16,279	0.27%	-	-
FALL RIVER	17,707,815	0	0	91,938	1.45%	90,654	1.47%	90,865	1.49%	-	0.00%	-	0.00%
FALMOUTH	3,244,906	0	484,804	32,660	0.51%	31,431	0.51%	30,451	0.50%	-	-	-	-
FITCHBURG	2,103,734	17,750,905	0	39,102	0.62%	40,011	0.65%	39,843	0.65%	-	-	-	-
FOXBOROUGH	1,613,905	0	166,506	16,246	0.26%	16,388	0.27%	16,011	0.26%	15,532	0.26%	-	-
FRAMINGHAM	308,168	0	0	*	*	*	*	*	*	*	*	*	*
FRANKLIN	0	0	30,834	****	****	****	****	****	****	****	****	****	****

MASSACHUSETTS WATER ABATEMENT TRUST  
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR  
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2002

LOCAL GOVERNMENT UNIT	Trust Loans Outstanding as of June 30, 2002			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Permanent / Interim			POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State
	Clean Water	Drinking Water	Title 5										
GARDNER	0	8,175,601	0	20,770	0.33%	20,261	0.33%	-	-	-	-	-	-
GEORGETOWN	0	2,162,182	396,900	7,377	0.12%	7,384	0.12%	7,054	0.12%	-	-	-	-
GILL	0	0	43,495	1,363	0.02%	1,584	0.03%	1,589	0.03%	1,612	0.03%	-	-
GLOUCESTER	26,750,842	0	1,161,767	30,273	0.48%	29,657	0.48%	29,267	0.48%	-	0.00%	-	0.00%
GRAFTON	0	0	75,726	14,894	0.23%	13,742	0.22%	13,286	0.22%	13,398	0.22%	-	-
GRANBY	580,178	0	0	6,132	0.10%	5,865	0.10%	5,850	0.10%	-	0.00%	-	0.00%
GREAT BARRINGTON	313,508	0	0	7,527	0.12%	7,592	0.12%	-	-	-	-	-	-
GREATER LAWRENCE SEWERAGE DISTRICT^	694,004	0	0	174,281	2.74%	31,424	0.51%	-	-	-	-	-	-
GREENFIELD	7,936,934	0	66,218	18,168	0.29%	18,267	0.30%	18,580	0.30%	-	0.00%	-	0.00%
GROTON	0	0	100,000	9,547	0.15%	9,205	0.15%	8,789	0.14%	8,714	0.14%	-	-
HALIFAX	0	0	119,000	7,500	0.12%	7,163	0.12%	6,844	0.11%	-	-	-	-
HANOVER	0	0	184,804	13,164	0.21%	13,278	0.22%	12,891	0.21%	12,554	0.21%	-	-
HARDWICK	0	0	31,464	2,622	0.04%	2,623	0.04%	2,559	0.04%	2,453	0.04%	-	-
HARWICH	0	0	300,000	12,386	0.20%	11,765	0.19%	-	0.00%	-	0.00%	-	-
HATFIELD	1,175,900	0	46,491	3,249	0.05%	3,214	0.05%	-	-	-	-	-	-
HAVERHILL	3,855,230	0	135,576	58,969	0.93%	55,321	0.90%	53,952	0.89%	-	0.00%	-	0.00%
HINGHAM	3,082,173	0	92,402	*	*	*	*	*	*	*	*	*	*
HINSDALE	2,709,855	0	0	1,872	0.03%	1,855	0.03%	1,884	0.03%	2,023	0.03%	-	-
HOLBROOK	2,005,190	0	38,502	*	*	*	*	*	*	*	*	*	*
HOLDEN	2,995,627	1,908,824	669,156	***	***	***	***	***	***	***	***	***	***
HOLLAND	169,104	0	0	2,407	0.04%	2,092	0.03%	-	-	-	-	-	-
HOLLISTON	343,926	0	0	13,801	0.22%	13,576	0.22%	13,381	0.22%	-	-	-	-
HOOSAC WATER. QUALITY. DIST. *****	1,303,500	0	0	24,791	0.39%	24,251	0.39%	25,571	0.42%	-	-	-	-
HOPKINTON	7,384,190	0	378,542	13,346	0.21%	11,351	0.18%	10,805	0.18%	-	0.00%	-	0.00%
HUBBARDSTON	0	0	13,860	3,909	0.06%	3,571	0.06%	3,373	0.06%	-	-	-	-
HUDSON	1,098,834	0	131,328	18,113	0.29%	17,803	0.29%	17,695	0.29%	17,414	0.29%	17,414	0.29%
HULL	3,034,735	0	0	11,050	0.17%	10,528	0.17%	10,472	0.17%	-	-	-	-
IPSWICH	1,629,200	0	0	12,987	0.20%	12,656	0.21%	12,352	0.20%	12,421	0.21%	-	-
KINGSTON	27,678,899	0	559,568	11,780	0.19%	10,983	0.18%	10,447	0.17%	-	-	-	-
LAKEVILLE	0	0	266,506	9,821	0.15%	8,900	0.14%	8,596	0.14%	-	-	-	-
LANCASTER	0	0	150,000	*	*	*	*	*	*	*	*	*	*
LANESBOROUGH	0	3,579,838	0	*	*	*	*	*	*	*	*	*	*
LAWRENCE	0	10,960,433	0	72,043	1.13%	69,420	1.13%	-	0.00%	-	0.00%	-	-
LEE	185,532	0	0	5,985	0.09%	5,657	0.09%	5,743	0.09%	5,798	0.10%	-	-
LEICESTER	0	0	231,827	***	***	***	***	***	***	***	***	***	***
LENOX	2,470,866	0	0	5,077	0.08%	5,180	0.08%	5,022	0.08%	5,149	0.09%	-	-
LEOMINSTER	4,752,347	4,144,150	0	*	*	40,208	0.65%	39,263	0.64%	-	-	-	-
LEXINGTON	212,518	0	43,782	*	*	*	*	*	*	*	*	*	*
LEYDEN	0	0	45,000	*	*	*	*	*	*	*	*	*	*
LITTLETON	0	0	166,506	8,184	0.13%	7,936	0.13%	7,695	0.13%	7,530	0.12%	-	-
LONGMEADOW	0	0	23,227	15,633	0.25%	14,710	0.24%	14,864	0.24%	15,559	0.26%	-	-
LOWELL	0	9,903,483	0	105,167	1.66%	105,167	1.66%	105,167	1.66%	105,167	1.66%	105,167	1.66%
LUDLOW	1,879,924	0	0	21,209	0.33%	18,957	0.31%	18,786	0.31%	-	0.00%	-	0.00%
LUNENBURG	1,023,129	0	184,804	9,401	0.15%	9,473	0.15%	9,285	0.15%	9,468	0.16%	9,468	0.16%
LYNN WATER & SEWER DISTRICT	39,680,410	0	0	89,050	1.40%	81,075	1.32%	80,563	1.32%	80,563	1.33%	80,563	1.33%
LYNNFIELD	0	0	171,672	11,542	0.18%	11,359	0.18%	11,232	0.18%	11,290	0.19%	-	-
MANCHESTER BY THE SEA	6,596,297	0	0	5,228	0.08%	5,465	0.09%	5,357	0.09%	5,457	0.09%	-	-
MANSFIELD	619,607	0	0	22,414	0.35%	19,244	0.31%	18,806	0.31%	19,244	0.32%	-	-
MARLBOROUGH	2,396,320	0	0	36,255	0.57%	33,278	0.54%	-	-	-	-	-	-
MARSHFIELD	1,831,043	0	0	24,324	0.38%	23,538	0.38%	22,911	0.38%	-	0.00%	-	0.00%
MASHPEE	1,263,462	0	200,000	12,946	0.20%	9,343	0.15%	-	-	-	-	-	-
MASSACHUSETTS DEVELOPMENT **	17,189,563	0	0	-	0.00%	-	0.00%	-	0.00%	-	-	-	-
MASS. WATER RESOURCES AUTHORITY *	523,511,503	30,169,288	0	2,732,185	43.03%	2,072,403	33.71%	2,051,433	33.67%	-	0.00%	-	0.00%
MATTAPOISETT	1,312,900	0	0	6,268	0.10%	6,333	0.10%	-	-	-	-	-	-
MAYNARD	636,356	0	89,010	10,433	0.16%	10,462	0.17%	10,412	0.17%	10,419	0.17%	-	-
MEDFIELD	511,700	0	74,538	12,273	0.19%	11,726	0.19%	11,467	0.19%	-	-	-	-
MEDWAY	0	0	198,168	***	***	***	***	***	***	***	***	***	***
MELROSE	447,334	0	0	*	*	*	*	*	*	*	*	*	*
MENDON	0	0	166,506	5,286	0.08%	4,739	0.08%	4,399	0.07%	4,584	0.08%	-	-
MERRIMAC	138,824	0	166,506	6,138	0.10%	5,966	0.10%	5,670	0.09%	5,803	0.10%	-	-
METHUEN	1,088,840	0	0	43,789	0.69%	41,988	0.68%	41,029	0.67%	-	0.00%	-	0.00%
MIDDLEBOROUGH	0	0	564,746	19,941	0.31%	19,702	0.32%	19,200	0.32%	18,613	0.31%	-	-
MIDDLETON	0	0	100,000	7,744	0.12%	7,744	0.12%	7,744	0.12%	7,744	0.12%	7,744	0.12%
MILLBURY	5,370,121	0	0	***	***	***	***	***	***	***	***	***	***
MILLVILLE	0	0	280,000	2,724	0.04%	2,526	0.04%	2,432	0.04%	-	-	-	-
MILTON	427,225	0	70,000	*	*	*	*	*	*	*	*	*	*
MONTAGUE	1,012,749	0	0	8,489	0.13%	8,293	0.13%	8,381	0.14%	-	0.00%	-	0.00%
MONTEREY	0	0	89,046	934	0.01%	801	0.01%	785	0.01%	-	-	-	-
NAHANT	25,462	0	0	3,632	0.06%	3,797	0.06%	3,782	0.06%	-	0.00%	-	0.00%

MASSACHUSETTS WATER ABATEMENT TRUST  
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR  
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2002

LOCAL GOVERNMENT UNIT	Trust Loans Outstanding as of June 30, 2002			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Permanent / Interim			POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State
	Clean Water	Drinking Water	Title 5										
NANTUCKET	1,639,009	0	20,893	9,520	0.15%	7,844	0.13%	7,267	0.12%	-	0.00%	-	0.00%
NATICK	0	0	263,132	*	*	*	*	*	*	*	*	*	*
NEEDHAM	2,366,845	0	85,894	*	*	*	*	*	*	*	*	*	*
NEW BEDFORD	140,762,904	0	0	93,768	1.48%	96,353	1.57%	96,903	1.59%	94,623	1.57%	94,623	1.57%
NEWBURYPORT	665,880	0	0	17,189	0.27%	16,808	0.27%	16,558	0.27%	16,838	0.28%	-	-
NEWTON	15,699,744	0	0	*	*	*	*	*	*	*	*	*	*
NORTH ADAMS	2,364,536	0	0	*****	*****	*****	*****	*****	*****	*****	*****	-	-
NORTH ANDOVER	7,588,169	0	0	27,202	0.43%	25,065	0.41%	24,283	0.40%	-	0.00%	-	0.00%
NORTH ATTLEBOROUGH	4,133,641	4,012,770	0	27,143	0.43%	25,908	0.42%	25,550	0.42%	-	0.00%	-	0.00%
NORTH READING	0	0	184,804	13,837	0.22%	13,219	0.22%	12,919	0.21%	12,849	0.21%	-	-
NORTHAMPTON	0	0	88,624	28,978	0.46%	28,680	0.47%	28,838	0.47%	28,879	0.48%	-	-
NORTHBOROUGH	1,113,137	0	77,070	*	*	13,258	0.22%	12,801	0.21%	12,752	0.21%	12,752	0.21%
NORTHBRIIDGE	8,931,091	0	264,468	13,182	0.21%	14,036	0.23%	13,693	0.22%	13,207	0.22%	-	-
NORTH BROOKFIELD	0	5,098,453	0	4,683	0.07%	4,845	0.08%	-	0.00%	-	0.00%	-	-
NORTON	0	0	566,506	18,036	0.28%	16,097	0.26%	15,659	0.26%	15,775	0.26%	-	-
NORWELL	0	0	18,900	9,765	0.15%	*	*	*	*	*	*	*	*
NORWOOD	1,036,411	0	0	*	*	*	*	*	*	*	*	*	*
OAK BLUFFS	15,975,578	0	0	3,713	0.06%	3,267	0.05%	3,128	0.05%	-	-	-	-
ORANGE	170,200	0	109,034	7,518	0.12%	7,454	0.12%	7,523	0.12%	7,542	0.12%	-	-
PAXTON	0	0	200,000	***	***	***	***	***	***	***	***	-	-
PEMBROKE	113,062	0	197,200	16,927	0.27%	16,621	0.27%	-	-	-	-	-	-
PHILLIPSTON	0	0	148,000	1,621	0.03%	1,620	0.03%	1,613	0.03%	-	-	-	-
PLAINVILLE	0	0	75,000	7,683	0.12%	7,354	0.12%	-	0.03%	-	-	-	-
PLYMOUTH	33,429,216	671,894	166,506	51,701	0.81%	49,810	0.81%	48,329	0.79%	-	0.00%	-	0.00%
PLYMPTON	0	0	65,000	2,637	0.04%	2,678	0.04%	2,614	0.04%	-	-	-	-
PROVINCETOWN	354,503	0	334,804	3,431	0.05%	3,743	0.06%	3,681	0.06%	-	-	-	-
QUINCY	5,187,823	0	0	*	*	*	*	*	*	*	*	*	*
RANDOLPH	540,289	0	0	*	*	*	*	*	*	*	*	*	*
RAYNHAM	10,248,912	0	54,118	11,739	0.18%	10,789	0.18%	10,513	0.17%	10,443	0.17%	-	-
READING	0	0	50,000	*	*	*	*	*	*	*	*	*	*
REVERE	632,155	0	0	*	*	*	*	*	*	*	*	*	*
ROWLEY	0	0	75,000	5,500	0.09%	5,343	0.09%	5,196	0.09%	-	-	-	-
ROYALSTON	0	0	62,406	1,254	0.02%	1,224	0.02%	1,203	0.02%	-	-	-	-
RUSSELL	1,684,639	0	0	1,657	0.03%	1,607	0.03%	1,594	0.03%	-	0.00%	-	0.00%
SALISBURY	1,925,712	0	0	7,827	0.12%	7,238	0.12%	-	-	-	-	-	-
SANDWICH	0	0	400,000	20,136	0.32%	18,746	0.30%	-	-	-	-	-	-
SAUGUS	640,800	0	9,240	*	*	26,576	0.43%	26,223	0.43%	25,949	0.43%	-	-
SCITUATE	14,551,041	0	116,574	17,863	0.28%	17,577	0.29%	17,242	0.28%	17,223	0.29%	-	-
SEEKONK	0	5,670,211	322,804	13,425	0.21%	13,339	0.22%	13,269	0.22%	-	-	-	-
SHARON	0	0	384,804	17,408	0.27%	16,942	0.28%	16,684	0.27%	16,542	0.27%	-	-
SHIRLEY	15,182,709	0	0	6,373	0.10%	7,674	0.12%	7,463	0.12%	-	-	-	-
SHREWSBURY	486,188	0	172,250	***	***	***	***	***	***	***	***	***	***
SHUTESBURY	0	0	200,000	1,810	0.03%	1,701	0.03%	1,712	0.03%	-	-	-	-
SOUTH DEERFIELD WATER SUPPLY	0	3,921,224	0	4,750	0.07%	4,927	0.08%	-	0.00%	-	-	-	-
SOUTH ESSEX SEWERAGE DISTRICT **	138,322,866	0	0	181,731	2.86%	171,883	2.80%	175,033	2.87%	174,942	2.90%	174,942	2.90%
SOUTHAMPTON	561,938	919,512	250,000	5,387	0.08%	4,941	0.08%	17,447	0.29%	-	-	-	-
SOUTHBOROUGH	0	0	666,506	*	*	7,798	0.13%	4,853	0.08%	7,274	0.12%	-	-
SOUTHBRIDGE	345,860	6,906,125	102,797	17,214	0.27%	17,460	0.28%	7,388	0.12%	-	-	-	-
SOUTH HADLEY	2,746,482	0	0	*	*	17,097	0.28%	17,047	0.28%	-	0.00%	-	0.00%
SOUTHWICK	0	0	20,000	8,835	0.14%	*	*	*	*	*	*	*	*
SPENCER	0	0	200,000	11,691	0.18%	12,432	0.20%	12,091	0.20%	11,679	0.19%	-	-
SPRINGFIELD	10,255,695	0	0	152,082	2.40%	148,144	2.41%	149,948	2.46%	-	0.00%	-	0.00%
STERLING	0	491,629	0	*	*	*	*	*	*	*	*	*	*
STOUGHTON	0	0	189,468	*	*	*	*	*	*	*	*	*	*
STURBRIDGE	5,672,057	0	0	7,837	0.12%	8,057	0.13%	7,911	0.13%	8,046	0.13%	-	-
SUNDERLAND	0	0	92,052	3,777	0.06%	3,508	0.06%	3,519	0.06%	3,547	0.06%	-	-
SUTTON	457,527	0	50,202	8,250	0.13%	7,597	0.12%	7,340	0.12%	7,565	0.13%	-	-
SWAMPSCOTT	10,260,547	0	0	*	*	13,868	0.23%	13,676	0.23%	13,743	0.23%	13,743	0.23%
TAUNTON	12,148,880	0	192,110	55,976	0.88%	52,553	0.85%	51,937	0.85%	-	0.00%	-	0.00%
TEMPLETON	2,357,880	0	263,157	6,799	0.11%	7,116	0.12%	6,991	0.11%	6,572	0.11%	-	-
TEWKSBURY	3,628,825	0	0	28,851	0.45%	29,070	0.47%	28,644	0.47%	28,946	0.48%	-	-
TISBURY	431,200	0	200,000	3,755	0.06%	3,475	0.06%	-	-	-	-	-	-
TITLE 5 UNALLOCATED PROCEEDS	4,413,888	0	0	-	-	-	-	-	0.00%	-	-	-	-
TOWNSEND	0	0	262,061	9,198	0.14%	9,169	0.15%	8,997	0.15%	-	-	-	-
TRURO	0	0	150,000	2,087	0.03%	1,799	0.03%	1,729	0.03%	-	-	-	-
TYNGSBOROUGH	3,556,552	0	0	11,081	0.17%	10,296	0.17%	-	0.00%	-	-	-	-
UPPER BLACKSTONE WPAD ***	12,861,872	0	0	294,645	4.64%	281,492	4.58%	278,496	4.57%	265,188	4.39%	265,188	4.39%
UPTON	4,385,200	0	0	5,642	0.09%	5,524	0.09%	5,339	0.09%	5,335	0.09%	-	-
WAKEFIELD	0	0	149,468	*	*	*	*	*	*	*	*	*	*



MASSACHUSETTS WATER ABATEMENT TRUST  
SCHEDULE OF POPULATION SERVED BY FISCAL YEAR  
FOR FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2002

LOCAL GOVERNMENT UNIT	Trust Loans Outstanding as of June 30, 2002			June 30, 2000		June 30, 1999		June 30, 1998		June 30, 1997		June 30, 1996	
	Permanent / Interim			POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State	POPULATION	% Of State
	Clean Water	Drinking Water	Title 5										
WALPOLE	2,167,821	0	42,204	*	*	*	*	*	*	*	*	*	*
WALTHAM	0	0	0	*	*	*	*	*	*	*	*	*	*
WARE	792,900	0	0	9,707	0.15%	9,727	0.16%	9,817	0.16%	9,783	0.16%	-	-
WAREHAM	7,846,418	0	234,804	20,335	0.32%	19,756	0.32%	19,545	0.32%	20,120	0.33%	20,120	0.33%
WAYLAND	664,945	0	269,468	13,100	0.21%	12,343	0.20%	12,041	0.20%	12,355	0.20%	-	-
WEBSTER	8,430,828	0	78,048	16,415	0.26%	16,115	0.26%	16,089	0.26%	-	0.00%	-	0.00%
WELLFLEET	0	0	135,000	2,749	0.04%								
WEST BOYLSTON	3,395,599	0	580,000	***	***	***	***	***	***	***	***	***	***
WESTBOROUGH	2,833,365	0	0	17,997	0.28%	15,428	0.25%	15,005	0.25%	15,165	0.25%	15,165	0.25%
WESTFIELD	643,063	0	0	40,072	0.63%	37,570	0.61%	37,539	0.62%	-	-	-	-
WESTFORD	0	2,208,440	72,990	20,754	0.33%	19,559	0.32%	18,642	0.31%	-	-	-	-
WESTMINSTER	0	0	0	6,907	0.11%	6,707	0.11%	-	0.00%	6,553	0.11%	-	-
WEST NEWBURY	0	0	400,000	*	*	*	*	*	*	*	*	*	*
WEST STOCKBRIDGE	0	832,426	0	1,416	0.02%	1,445	0.02%	-	0.00%	-	0.00%	-	-
WESTWOOD	4,038,238	0	0	*	*	*	*	*	*	*	*	*	*
WEYMOUTH	405,742	368,242	50,490	*	*	*	*	*	*	*	*	*	*
WHATELY	0	0	0	*	*	*	*	*	*	*	*	*	*
WHITMAN	0	1,967,783	69,354	13,882	0.22%	14,229	0.23%	13,743	0.23%	13,439	0.22%	-	-
WILMINGTON	0	0	110,000	*	*	*	*	*	*	*	*	*	*
WINCHENDON	1,031,078	2,493,873	150,178	9,611	0.15%	9,176	0.15%	8,931	0.15%	9,248	0.15%	-	-
WINCHESTER	0	0	68,114	*	*	*	*	*	*	*	*	*	*
WINDBROOK ACRES	0	460,298	0	*	*	*	*	*	*	*	*	*	*
WOBURN	0	5,003,752	0	37,258	0.59%								
WRENTHAM	0	0	200,000	10,554	0.17%								
YARMOUTH	19,107,104	0	166,506	24,807	0.39%	22,797	0.37%	22,335	0.37%	21,727	0.36%	21,727	0.36%
ACCRETION ADJUSTMENTS	597,261	0	0	-	0.00%	-	-	-	0.00%	-	0.00%	-	0.00%
TOTALS AS OF END OF FISCAL YEAR	1,539,689,044	176,995,000	27,664,071	6,371,328	100.35%	5,434,761	88.41%	5,021,874	82.43%	1,532,149	25.36%	786,304	13.02%
TOTAL MASSACHUSETTS POPULATION	Clean Water	Drinking Water	Title V			6,147,132		6,092,352		6,041,157			

NOTE: "Population Served" exceeds "population of Commonwealth" due to overlaps in population in different programs within the Trust  
\* - MWRA, \*\* - South Essex Sewerage District, \*\*\* - Upper Blackstone WPAD, \*\*\*\* - Charles River Pollution Control District, \*\*\*\*\* - Hoosac Water Quality District, ^ - Greater Lawrence Sewerage District  
Population Statistics Source: Massachusetts Department of Revenue, Division of Local Services, Massachusetts Institute for Social and Economic Research (MISER). Revised 4/21/2001 by MISER  
file: O:\wp\at\sheets\00audit\2000 Statistics-Population Served(CAFR).xls

\* MWRA Cities, Towns and special purpose entities listed below  
are included in the MWRA count above:

ARLINGTON	HINGHAM	REVERE
ASHLAND	HOLBROOK	SOMERVILLE
BEDFORD	LANCASTER	STONEHAM
BELMONT	LEXINGTON	STOUGHTON
BOSTON	MALDEN	WAKEFIELD
BRAINTREE	MEDFORD	WALPOLE
BROOKLINE	MELROSE	WALTHAM
BURLINGTON	MILTON	WATERTOWN
CAMBRIDGE	NATICK	WELLESLEY
CANTON	NEEDHAM	WESTWOOD
CHELSEA	NEWTON	WEYMOUTH
CLINTON	NORWOOD	WILMINGTON
DEDHAM	QUINCY	WINCHESTER
EVERETT	RANDOLPH	WINTHROP
FRAMINGHAM	READING	WOBURN

\*\* The South Essex Sewerage District serves six Cities and Towns in Essex County including  
BEVERLY DANVERS MARBLEHEAD  
OTHER PEABODY SALEM

\*\*\* Upper Blackstone WPAD serves eleven communities including:  
AUBURN MILLBURY SHREWSBURY  
BOYLSTON OXFORD W. BOYLSTON  
HOLDEN PAXTON WORCESTER  
LEICESTER RUTLAND

\*\*\*\* Charles River Pollution Control District serves five communities including:  
BELLINGHAM MEDWAY NORFOLK  
FRANKLIN MILLIS

\*\*\*\*\* Hoosac Water Quality District serves three communities including:  
CLARKSBURG NORTH ADAM WILLIAMSTOWN

^ Greater Lawrence Sewerage District serves four communities including:  
ANDOVER 31,424 N. ANDOVER listed above  
LAWRENCE listed above METHUEN listed above

# Major Drainage Basins in Massachusetts

